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ROYAL COMMISSION  
ON  
TRANSPORTATION

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ROYAL COMMISSION ON TRANSPORTATION

Index Page 67  
Page

F. A. GAFFNEY - Recalled. Cross examination  
by Mr. Hume resumed. - - - - - 9301

EXHIBIT No.122: Photostatic copy of  
Saturday Night, January 2,  
1937, and January 9, 1937.

Cross examination by Mr.Frawley - - - - 9343

Cross examination by Mr. Darby - - - - - 9387

Noon adjournment - - - - - 9399

F..A. GAFFNEY - Recalled.

Recommendations - - - - - 9401

Mr. O'Donnell: Statement re discussion  
between Mr.Gaffney and Mr.Frawley  
concerning cost of freight service in  
Canada - - - - - 9402

R. E. MOFFAT - Recalled. Cross examined by  
Mr. O'Donnell: - - - - - 9403

Adjournment - - - - - 9467

- - - - -





ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO,  
MONDAY, NOVEMBER 21,  
1949

THE HONOURABLE W.F.A.TURGEON, K.C., LL.D. - CHAIRMAN

HAROLD ADAMS INNIS - COMMISSIONER

HENRY FORBES ANGUS - COMMISSIONER

- - - - -

G. R. Hunter, Secretary. P. L. Belcourt, Asst.Secretary.

- - - - -

COUNSEL APPEARING:

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| C.F.H.Carson, K.C.      | } | Canadian Pacific Railway                                                                 |
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| J. J. Frawley, K.C.     | ) | Province of Alberta                                                                      |
| C. W. Brazier           | ) | Province of British Columbia                                                             |
| F.D.Smith, K.C.         | } | Province of Nova Scotia;<br>Transportation Commission of<br>the Maritime Board of Trade. |
|                         |   |                                                                                          |
| J. Paul Barry           | ) | Province of New Brunswick                                                                |
| F. R. Hume              | } | Canadian Auto motive Trans-<br>portation Association                                     |
|                         |   |                                                                                          |
| R. Kerr                 | ) | Board of Transport Commissioners                                                         |
| W. E. Darby, K.C.       | ) | Prince Edward Island.                                                                    |

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ROYAL COMMISSION ON TRANSPORTATION

Ottawa, Ontario,

Monday, November 21, 1949

MORNING SESSION

---The Commission met at 10.30 a.m.

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MR. COVERT: To continue from where we left off Friday, Mr. Chairman, Mr. Gaffney was being cross-examined by Mr. Hume.

THE CHAIRMAN: I beg your pardon?

MR. COVERT: Mr. Gaffney was being cross-examined by Mr. Hume.

MR. F.A. GAFFNEY, Recalled

CROSS EXAMINATION BY MR. HUME (Cont'd)

Q. If you would be good enough to turn to page 1 of your brief, there are a few points throughout the brief I would like to discuss with you to finish up with my cross-examination, and I want to direct your attention to the third paragraph on page 1, commencing at the second sentence, and I do not think anyone will disagree with you that "Efficient and adequate railway transportation is a continuing necessity for the development of the country, the support of commerce and for national defence." I want to ask you whether or not you believe this same thing about highway transportation?

A. Yes, I believe that to be the same.

Q At the bottom of the first page you point out in your brief:



"This country requires a highly efficient railway system operating economically and at the lowest cost; it cannot afford the luxury of wasteful and uneconomic competition."

What do you mean by wasteful and uneconomical competition?

A. Competition is wasteful if it is uneconomical, and it is possible to define the economical radius of highway vehicles, and when it operates beyond that it is wasteful for the national economy.

Q. You define an economical range as being on the basis of cost of service?

A. No, I have made that point several times here and I said in our brief we have set a comparison with the economical range of trucks and the economical range of railways on a cost basis, but I have said there are other conditions and other circumstances that will extend that range of ease and flexibility in the case of household goods, and so on. All of these will operate to take the truck beyond that range of cost comparison.

Q. Would you explain to us this range,, or explain would that be referred to the shipper?

A. It would depend upon the number we were speaking about, a national transport authority to determine what is the proper sphere in their view.

Q. Would the shipper have any voice in this board as to determine what the proper sphere would be?

A. He would have the same voice he has in the operation and maintenance of the railways.

Q. Has the shipper got any say in these matters?

A. He has. He goes to the railway and asks for a rate and we sit down and bargain.

Q. I am talking about this one point you are making. Is the shipper going to come in by reason of crating and





door-to-door delivery, and want the sphere to be 5,000 miles?

A. I would contemplate that this board that we suggest would want to hear every side and there would be nothing to prevent him from coming forth and putting his views before them.

Q. May I ask you to turn to page 1/2 at the continuation of the same paragraph at the top of the page where you suggest that the forms of transportation should be so regulated as to ensure that unnecessary duplications of service shall not be permitted.. May I ask you whether or not your words "unnecessary duplication of services" refer to the same type of thing where you think<sup>of</sup> an allocation of spheres<sup>as</sup> between different transportation media?

A. Yes, that would be true.

Q. If today a shipper decides that he wants to ship his goods by truck for a thousand miles, and it happens to parallel a railway line, would you consider that unnecessary duplication of services?

A. I would say, if he were going beyond the economical range of a truck as compared to a railway, that is unnecessary duplication of services.

Q. I suppose the amount of money that the shipper has to pay to ship these goods is exactly the same as the amount he would have to pay to the railway?

A. You are now talking about rates and I am talking about costs and one is the amount that the shipper pays for the movement of his goods, but cost is the energy expended in moving the goods. They are two entirely different things. I have explained that a couple of times. The railway cost is one cent against the truck cost of four





cents, but that has no connection whatever with the rates charged by the railway necessarily so because of this tapering scale of the railways that has the low commodities on the one hand and the high commodities on the other hand in an attempt to stay in balance.

Q. I am only suggesting to you that the matter of cost is not very much the concern of the shipper who is paying the bill and that what interests him, and he is the public, "how much is it going to cost me", so you have got to look at it from the standpoint of the buying public's interest which is also the national interest, and it is to this man's interest to maintain the railways on a sound financial basis.

Q. Then the second part of the paragraph:

"It follows that, being necessary to the welfare of the nation, it must not be subjected to unfair competition from other forms of transport, because unfair competition will inevitably endanger its ability to maintain its proper function in the economy of the nation."

Do I take it from what you are suggesting that every form of transportation has that responsibility?

A. To my mind it has; that is a plain fact. There is no obligation for any trucker to take every commodity offered to him, and in practice, he just doesn't take them.

Q. Are you speaking as a matter of law?

A. Yes.

Q. Do you know there is an obligation on a carrier to move goods in the capacity of a carrier?

A. Yes, there are some laws in some provinces that a carrier must move everything that is handed to him.



I know of no tribunal in Canada that will insist that when a man is given a common carrier licence, he would have to have covered vehicles for the movement of household goods and tank trucks for oil, and so on.

Q. But you will agree with me that there is a common law right, and in some provinces it has been reduced to statute compelling a carrier to carry all goods, according to his public profession and the capacity of his vehicle.

A. Yes, but that doesn't cover my point. He is not compelled to carry everything. He is given a licence to handle a certain type of goods. That doesn't make a common carrier at all. A common carrier is one who holds himself open and does handle every kind of goods.

Q. In what province is a carrier given a licence to handle only certain types of goods?

A. It is done in Ontario, for one.

Q. , You have in Ontario certain classes of registration. For instance, Class B. Are you familiar with these?

A. Yes, and Class C and Class D.

Q. You say that they are licences to carry a certain type of goods?

A. I think this is for general commodities or a term similar to that.

Q. On a question of responsibility would you suggest that a firm that had been in business for twenty years, would carry certain goods for a shipper and would turn down certain classes of goods because they do not think the rates are high enough or the commodity is not heavy enough to pay a return?

A. When you say a firm --

Q. I presume this is a trucking firm. The





suggestion here is, and you have told me that all firms are armed with a responsibility?

A. Yes.

Q. You make that as a statement of fact?

A. Yes.

Q. I presume you are directing that at trucking firms that are doing business in Ontario?

A. Yes.

Q. Do you suggest that these firms established for twenty years are going to turn down a particular commodity from a shipper because they do not think it will pay them enough?

A. I certainly suggest it.

Q. What will happen the next time?

A. If his rate is all right he will get the business.

Q. At the bottom of page 2, the concluding sentence in the paragraph, you say:

"As cost was not a consideration in the conduct of the war it was inevitable that the advantages of the motor vehicle should be stressed while its limitations were overlooked."

Who did the overlooking?

A. The truck operators, with the result, as I think you know, there was a wave of bankruptcies that occurred during the '20's and '30's in trucking businesses.



Q. There were also bankruptcies during that period in other kinds of business, were there not?

A. Oh, I have no doubt.

Q. Now then, on the top of Page 3, you say in the next sentence "Not unnaturally, exaggerated views prevailed as to the place of motor transport in the economy of the nation." Again, I would like to know who do you mean held those exaggerated views?

A. I think generally the truck operator. I would not say entirely; undoubtedly the public too but I think mostly the truck operator.

Q. And you are speaking of the period 1916 and 1917, I take it. You opened your paragraph on that period.

A. No, I said "the period subsequent to that". 1916 and 1917 was really the first time that the motor truck came into the transport business in what you might term a substantial way. It was the period following that and all the way up to the middle 1930's that it had a tendency, as I recall it, to stabilize and the more responsible operators began to operate trucks, men who knew something about cost and the result has been greater improvement in the trucking industry over the past ten or fifteen years.

Q. May I suggest to you that the growth of the motor vehicle as a transport agency since that period has somewhat confirmed the fact that those exaggerated views were properly held at the time they were held?

A. I don't think there is any comparison between growth and cost. A great many people would enter the trucking industry without any idea whatever what it cost to operate a truck and they would contract to take goods at a certain rate. They would go along



for a year or two and at the end of that time they would find that their vehicle was worn out, that they had not put sufficient money by for depreciation and that the net result of their operations had been to eat up the capital they put into the vehicle.

Q. And do you suggest that that kind of a situation with a new business is any different from any other kind of business where people have to learn by experience?

A. Unfortunately at the public expense in this case.

Q. Why do you say "at the public expense"?

A. Well, the man who supplies the cars and the gasoline and the tires certainly took a licking.

Q. Of what period are you talking now?

A. I am speaking now of this period from 1920 to the middle 1930's.

Q. You suggest that these people are taking a licking at the present time?

A. No, I think I made the statement that the trucking industry has very greatly improved in the last ten or fifteen years. There has been two tendencies, one that a type of man getting into this business is the man who does know the cost; another, there has been a tendency towards consolidation of the various small units into larger units which more efficiently operate than they did in the old days. I think those two things are going on.

Q. In other words, from the time this industry was born it is now achieving some sort of stability?

A. I think that is perfectly true.

Q. It went through growing pains like any other type of new business?

A. That is quite right.





Q. On Page 5, Mr. Gaffney, the last paragraph on Page 5, you are speaking about the passenger traffic and I just wanted to get your opinion on the last paragraph where you point out that at the present time air travel is not competitive except in a small degree. I wanted to ask you this; does your association consider that that sort of air movement of passengers and freight is going to be increasing in the future?

A. That is a matter of opinion, Mr. Hume. I think to some extent it will. The trend so far in air passenger travel is fluctuating so widely that it is difficult to follow a pattern. I think you would have to concede that in the future air travel will increase for passenger business -- cargo to some extent, but much more limited than in the passenger field.

Q. But you are not worrying about it now very seriously?

A. At the moment, no.

Q. And may I suggest, you are probably, therefore, in the same position with regard to air travel now as you were with regard to the motor vehicle in the early 1920's?

A. I think you are quite incorrect; they are two different breeds of cat. In the one case, air travel in Canada is very rigidly controlled and has been with the exception of bush flying almost from its inception. That is not true and has never been true in the highway field. That is one of things we are complaining of.

Q. Page 6, Mr. Gaffney. You discussed these documents and tables on Friday and I do not wish to go over them again, but there was one point on the



middle of Page 6 that I would like to speak about now and that is in connection with this estimate of yours of 489,000.

A. Yes.

Q. Your brief shows that in 1948 there was 499,378 commercial vehicles registered and you eliminate ambulances, hearses, buses and municipal vehicles and arrive at a freight vehicle estimate of 489,000?

A. Yes.

Q. So that the difference between those figures would represent your estimate of the number of buses, ambulances, hearses and municipal vehicles in Canada, I presume?

A. Yes, and it is only an estimate.

Q. Well, it is in connection with that estimate that I wanted to ask you because there are a great many estimates in the brief on the different vehicles. The second is 10,378 and that is for the whole of Canada?

A. Yes.

Q. Now, over the week end I was able to get figures for one province only, the Province of Ontario, and I find that there was a total in Ontario of 5,595 municipal vehicles and 3,638 buses, in short, a figure of 9,200 buses and municipal vehicles in the one province.

A. I don't know anything about your one province, Mr. Hume, but I will quote the Dominion Bureau of Statistics Preliminary Report for the year 1948. It shows the figure we have here of 499,378 commercial vehicles but of that there were 485,064 motor trucks. Now, that makes my estimated figure of 489,000 different by 3,936.





Q. But in one province alone there is over 10,000 buses and municipal vehicles?

A. I know nothing about that; I am referring to the D.B.S. estimate and if you look at the R.A. of C. brief you will find in there a figure of somewhere around 485,000. If it is not there, it should be there.

Q. Now, then, the second paragraph on Page 6, the second sentence where you are speaking of the length of run, you say that the larger types tend to operate up to approximately 500 miles. Are you suggesting that that is the mileage extent to which these vehicles operate?

A. No, I am saying that on the average. You have to stop somewhere in making estimates. We say that on the average they tend to operate up to 500 miles. I have no doubt there are ones operating beyond 500 miles.

Q. Do you know of any that operate beyond 500 miles as a result of your studies of this matter?

A. No, I can't think of any offhand. There may be some household truck operators that do but they have pretty wide licence and it is pretty hard to determine. I don't know of any offhand -- common carriers.

Q. Well your reference, I understand, was that before the Senate Committee evidence was given of a long run from Winnipeg to New York?

A. I am afraid you are quite incorrect on that. They gave evidence that traffic moved by truck from Winnipeg to New York but to say whether that is in one vehicle is an entirely different thing. It might well have been transferred at Chicago to another vehicle



so that the run there would probably be within the 500 mile limit we have stated here. I am saying that the larger type vehicles tend to operate distances up to 500 miles. As an illustration of the trend I can quote you instances in the United States where traffic moves from Los Angeles to New York -- fruit traffic in refrigerated trucks.

Q. In the one vehicle?

A. As far as I am aware in the one vehicle, but I don't think that that type of movement, that length of haul, is gaining any prominence in Canada.

Q. Now then, the last of that paragraph. I don't want to read the whole thing but you suggest that the smaller vehicles handle the traffic directly from the shipper to the consignee but that the larger vehicles which are greater than five ton, it goes on there, generally depend on the smaller auxiliary vehicles to perform the collection and delivery services. Mr. Gaffney, I suggest to you that in very few instances do these operators have pick-up and delivery smaller vehicles, that large vehicles just go directly to the shipper's door?

A. If you say "in very few instances" I would agree with you but I would say to you that the larger operators, certainly in the metropolitan areas, do use collection and delivery vehicles such as, say, Smith Transport between Montreal and Toronto, Kingsway Transport, Montreal to Toronto, Winters and a number of other operators. The small man does not because he goes direct to a consignee.

Q. You don't mean that they generally depend; you mean some of them do?

A. If you want to quibble on the word, you can





take it that way.

Q. I am not quibbling on words. You have submitted that brief in which you state they "generally" did this. I just want to clear it up to show that they generally do not; that it is only the very large type that do it?

A. I will stand on the word "generally".

Q. All right. Page 10, Mr. Gaffney, if I may direct your attention to it in the penultimate paragraph you point out that in addition to the loss of traffic to the truck which was discussed on Friday -- you estimated that \$50,000,000 of net revenue is lost to the railways by reason of their having to reduce their rates. I have no quarrel with your figure, Mr. Gaffney, but I would like to state it another way that is sometimes heard by the man in the street. Isn't it just as true to say that the \$50,000,000 is still in the pockets of the public by reason of the reduction in railway rates?

A. No, I would not say so.

Q. Well, if I understand your paragraph, what you are trying to say is that the railways have reduced their rates on certain traffic to the extent that they have lost \$50,000,000 of net revenue?

A. Yes.

Q. And, therefore, they charged \$50,000,000 less than they would have charged if they had not had to reduce their rates?

A. Yes, and in the case of the C.N.R., probably a good portion of that \$50,000,000 is reflected in the Canadian National deficit and is paid by the general taxpayer.

Q. Are you suggesting that that deficit is an operating deficit?



A. I am not suggesting that it is an operating deficit at all but it would be reflected as an operating profit if we had that money.

Q. That may be true of your own railway but what about some of the other railways?

A. I suggest in the case of the privately owned railway, it is shown in the decreased return to the investor in that case.

Q. And so far as the general public is concerned would it not rather have this \$50,000,000 in its pocket than worry about the decrease of return to investors?

A. The \$50,000,000, Mr. Hume, has to come out of someone's pocket or has to go into someone's pocket. Let us take all the whole of Canada. It is there; it has to be accounted for. Do I make myself clear? If it is not paid by the shipper in the form of these freight rates, it is paid in some form. In the case of the Canadian National I say to you that it is probably paid by the general taxpayer; in the case of the privately owned road it may be reflected in decreased return to the investor in that railway.

COMMISSIONER ANGUS: Is it possible that part is reflected in high/<sup>er</sup> rates than would otherwise be charged on the higher value traffic?

A. I don't know whether I follow that sir.

Q. Well, if the railways got this \$50,000,000?

A. Yes.

Q. Might they not have a lower general level of freight rates than they have at present?

A. Quite true sir.

Q. So that in that sense, if you are saying you are accounting for it, part of it is paid by higher





charges from the public on traffic that must move by rail?

A. That is correct, sir, on those low basic commodities particularly.

MR. HUME: Then, may I follow that, Mr. Gaffney, by asking you whether you think in connection with the privately owned railways, it is also possible that instead of lowering freight rates, they might have made a higher return to their investors?

A. I don't want to be positive because I do not know their accounts but I say that possibility is there.

Q. Now on the top of Page 11, the first paragraph, the last sentence, in the first paragraph you say having discussed the reason why the truck does compete "the answer therefore must stem from factors other than cost and service". Do you mean "cost of service"?

A. No, I mean "cost and service".

Q. Well you have intimated prior in your brief that one of the facts that induced a shipper to use a truck is the fact that there are certain service facilities like speed and so on?

A. Of course, but it is only one of the factors and it is not present in every instance.

Q. I grant you that, but then on the top of page 11 you intimated that the answer to this problem must stem from factors other than cost, a major factor there, and then you include "service" and it seems to me that that seems to be somewhat at variance with what you say at Page 4 when you say ". . .the value of service rather than the cost will be found to be the controlling factor".

A. Quite frequently, yes -- not in every instance



so that when the service factor enters into play on the traffic that is not included in the term "quite frequently"

Q. I suggest, Mr. Gaffney, that the answer might very well be "in most cases service"?

A. I suggest to you that you are quite incorrect, sir, when you say "most cases". I will agree with you frequently that there is a field in which the truck is more efficient than is the railway but it certainly does not apply to the entire field of truck transportation, if that is the point you are trying to make. It certainly does not apply in there at all.

(Page 9327 follows)





Q. Well, in one regard, in just the handling of the goods themselves, there is an advantage, is there not?

A. Not all the time, of course not. You have the same type of service truck or some other transport again in the city of Montreal. They go around and collect them, they handle it the same as the railway. They have put in a local truck and they handle it the other end. There is no difference in handling. There is a difference in service in the case of the small fellow who takes his truck up to the shipper's door, the traffic is loaded directly into the truck and taken directly to the consignee. Those are cases where there is a difference in handling, of course.

Q. And all over the country, which is the most usual thing, the door-to-door, or the simple transport service?

A. If you are talking numerically, it would be the door-to-door. If you are talking of <sup>volume of</sup> traffic I suggest to you that the big truck operators handle the volume of the traffic, especially the high class merchandise traffic that we complain of.

Q. Of those 31,000 for private ownership road truckers that you mentioned on Friday, how many of those 31,000 are owned by your larger operators?

A. I did not mention the figure of 31,000 to <sup>with</sup> commence/ Mr. Hume.

Q. You mentioned 62,000 and you said half of those were privately owned.

A. No, I beg your pardon, I said 50 per cent of the traffic moving over the highway, which is an entirely different thing.



THE CHAIRMAN: Q. I understood that one half of the 62,000 trucks are privately owned trucks.

A. No, I don't think I said that. I said 50 per cent of the traffic moving over the highway in my opinion was private traffic. Now that could be come about this way, Mr. Chairman. I mentioned 62,000 trucks. There might be 20,000 of them, commercial trucks, and 40, 000 of them private trucks, and still the traffic would divide 50-50 because the commercial operator expects greater efficiency out of his vehicle by and large than does the private operator.

Q. Then is this where you leave it, that one-half of the traffic moved by 62,000 trucks is moved by private trucks?

A. Yes sir.

Q. And the other part is moved by trucks for hire?

A. Yes sir.

MR. HUME: I wonder, Mr. Gaffney, whether you can tell us from your investigations as to what percentage of the shippers who use trucks do so because of the speed with which they can move?

A. No, I have no idea.

Q. We have heard some evidence that the railways have instituted a service between Toronto and Montreal where the goods move in one day.

A. That is correct, that is a service.

Q. And would you say that the goods are moving in one day?

A. Oh, yes, in very large quantity. I could not give you an exact breakdown of that, but certainly the majority of them get first-day delivery either in Toronto or Montreal, but I will agree with you that





in many instances they do not, either by railway or by truck.

Q. You say the majority of them do. Have you made any studies of sample shipments?

A. Yes, we made a study about a year ago, that was the last one, and I think it indicated that 64 per cent or 62 per cent (I am not just clear at the moment) got first-morning delivery either in Montreal or Toronto.

Q. Mr. Gaffney, is Mr. George Johnson, assistant transport economist of your railway, -is he known to you?

A. Oh yes.

Q. And you know of a study he made of which he testified before the Ontario Municipal Board on August 19th, 1948?

A... I think he mentioned <sup>it</sup> to me, yes.

Q. And do you know that at that time he testified that they had made a study of 68 carloads of L.C.L. traffic between Toronto and Montreal, and that 15 of those were delivered next morning, 30 were delivered the second morning, 15 delivered the third morning, 2 the fourth morning, 2 the fifth morning and 4 the sixth morning: average time of delivery 2.4 days. Do you know about that study?

A. I have not heard of that particular one. He mentioned to me they had made a study, and my recollection of what he told me is that 64 or 68 per cent of the traffic was delivered first-day, and I think your record you have just read confirms that does it not?

Q. No, 15 out of 60, which I take to be roughly 25 per cent, were delivered next day. Then another 50 per cent were delivered the second day, I think,



if you look at those figures.

A. Are you taking that now on a car basis or a tonnage basis, Mr. Hume?

Q. I am only talking of what he said, that he had made a study of 68 carloads of L.C.L. from Toronto to Montreal, so I don't know what basis he made it on, but he is talking about these 68 carloads as to when they were delivered.

A. I don't know the basis either but I do know that I was informed at that time -- was that about a year ago, may I ask?

Q. He gave that testimony on August 19, 1948.

A. I think it would be about that time, yes, but my recollection of the results of that study were that 64 or 62 per cent, something like that, of the traffic was delivered on the first morning, and I would say that that is closer to the fact than whatever deduction you take from that statement you have there.

Q. I am not taking any deductions, Mr. Gaffney. Out of 68, 15 were delivered next morning and 30 the second morning. If you add those two together you get 45, so that it is just a straight mathematical calculation of the percentage. He also testified before the same board that of 310 shipments in July, 1948, from Montreal to Toronto or the reverse, 84 were delivered next morning out of 310, 207 were delivered the second morning, 12 delivered the third morning, 6 on the fourth morning and one on the eighth morning.

A. I do not recall that. It was pretty well tied up in the same thing I am speaking of.

Q. But the greater number of those carloads were not delivered the next morning, that is obvious?

A. It is obvious from what you say, Mr. Hume, but my statement to you and to the Commission is that the study



as I was informed, indicated that sixty odd per cent of the traffic was delivered the first morning, either in Toronto or Montreal.

Q. Have you got that study available?

A. We will make a study for you if it is of any value to you.

Q. Have you made a study?

A. No, I said we could make a study for you. I was informed of the result of the study and we would be glad to make a study for you.

Q. Have you seen the results of the study?

A. I don't think so, I don't recall. It is a year or so ago. But we are constantly making studies of that kind, testing our traffic flow all over the country.

Q. Page 15, Mr. Gaffney, if you will, on the question of regulation. In the first paragraph you are speaking of the regulations that have existed in different parts of the world, and you say that those regulations up to the present at least have been of no material assistance to the railway. I would like to ask you, if that is so, why this cry for regulation is still being pressed. You mention here that in some parts of the world they prohibited it altogether, and then you say these regulations, speaking generally, have been up to the present time of no material assistance to the railways.

A. And your question is what?

Q. Why, if that is the case, is this cry for regulation still being pressed?

A. Well, our point there is that there has not been the type of regulation that we think is necessary.

Q. May I read something to see if you agree with it?

"One of the most persistent demands raised by railway officers is that for greater truck taxation and





regulations. No legislature in either country would dare tax and/or restrict the operation of trucks to a point where they would be forced off the highway. They have become too great a national necessity."

Would you agree with that statement?

A. Certainly.

Q. "If they are to be permitted to run it is not their mere operation that embarrasses the railway, but the loss of the freight they carry. Paying more taxes to the government would not lessen the embarrassment. The only way the railways can benefit is to restore to them the traffic now on the highway. This can be done by banning the operation of trucks, an unthinkable action, or by the railway providing a better instrumentality, enabling them to compete for the traffic, leaving the public as the judge."

Would you agree with that?

A. No.

Q. This statement, I should say, I think I will put in as an exhibit.

A. Do you mind telling me what you are reading from?

Q. I should be glad to. I am reading from a photostat copy of an article that appeared in "Saturday Night", dated January 2, 1937, written by a gentleman named E. W. Oliver, who was for many years an accountant of the Canadian National Railways, and later was director of research for the St. Louis Southwestern Railway. I believe you know Mr. Oliver, do you?



A. I do know Mr. Oliver. He was retired from the Canadian National at a very early age.

Q. Is this much true of Mr. Oliver, then, reading from the same publication, that he spent the years 1900-1918 with the Canadian Northern Railways, and 1919-1932 with the Canadian National, is that correct?

A. I don't know, I would not be surprised.

Q. In 1923 he reported for the C.N.R. on the development of the diesel engine in Europe, with the result that the C.N.R. undertook the first diesel development in North America.

A. I think that is quite wrong. At least, I think Mr. Oliver was one of the committee that went over there to investigate and report whether we should adopt the diesel engine.

Q. This article says that in 1931-32 he carried out for the same railway an investigation of the loss of railway traffic through highway vehicles, involving much research work in Canada, United States and Great Britain. All I know about Mr. Oliver is what I have heard.

A. And I think that was his last act before retirement.

Q. Then you have said you do not agree with that statement here, and I want to read this quotation:

"That eminent American research authority, Dr. C.M.A. Stine, has very aptly expressed it recently as follows:

'The only way in which the railroads can maintain their place in transportation is by giving service more efficient than their competitors. The only way to better service lies in better equipment and better methods and a more general appreciation of the fact that transportation is





a servant of our industrial system, not its master.'"

Do you agree with that?

A. No, sir.

Q. You think that transportation is not the servant of industry? You think it is the master?

A. Now, Mr. Frawley, you are coupling four or five statements together and asking me in general if I agree with them, which is most unfair.

Q. Take these words, then:

"The only way in which the railroads can maintain their place in transportation is by giving service more efficient than their competitors."

Take it that way.

A. I disagree.

THE CHAIRMAN: What other way would you suggest?

A. The way we are suggesting here, sir, that the railways in Canada take their place in transportation, provided that you have a national transportation policy which allocates to each transport facility that part of the nation's commerce which it can best handle. In other words, that means that the railways should be allowed one of two things: put on a free market where they can compete on a free basis or, when they are restricted I want to see that there are restrictions placed on the competitors on the other side.

Q. Well, if they were competing on a free basis, as you say, in a free market, would not the same problem apply?

A. If we were competing in a free market, yes sir, but we are not in a free market in Canada.

Q. Why?

A. Because the railways, sir, are compelled by



statute to handle certain commodities at certain rates. They have no freedom of action in that field at all, and that in turn restricts their freedom of action in the other end of the field because they have to get the money from the high valued commodities to pay for these low valued commodities and when they are faced with competition for the high value traffic from a truck with no obligation in the national interests, they just cannot exist, they just cannot get the money to balance their books.

Q. Do you mean to say, then, that if the trucks were compelled to carry all sorts of traffic, as the railways are, that then competition would be free?

A. At the same rates as the railways, yes, I think that would be free.

Q. And of course rates is part of the competition?

A. Yes, they would be part of the competition, but that is impracticable.

(Page 9337 follows)



Q. Why is it impracticable?

A I do not believe you can compel a highway vehicle to handle the western grain crop. The cost would be so prohibitive the grain could not be moved. The railways handle this at one-half cent per ton mile and the cost of truck movement might be 3 cents per ton mile. Certainly grain could not be moved at 3 cents per ton mile. In my judgment it couldn't take a rate of 3 cents per ton mile. That would be the cost, sir.

Q. I cannot read this quotation without thinking that history repeats itself:

"In London, England, prior to the year 1633 the city transportation was provided by means of boats on the Thames. At that time a new mode of transportation made its appearance in the form of hackney coaches (cabs)."

THE CHAIRMAN: In the form of what?

MR. HUME: In the form of hackney coaches.

"The watermen fought this innovation desperately and sent petition after petition to Parliament to prevent this unfair competition. The cabs were not allowed to ply for hire in the streets of London until 1634 and a year later were limited to use for journeys of three miles or more out of London and Westminster. Later permission was granted to fifty hackney coachmen with a maximum of 12 horses apiece. Their petition to parliament in 1633 recited three claims against the use of cabs. They were --

(1) overcrowding of highways.

(2) breaking up pavements.

(3) unfair competition with existing forms of



It is my understanding that

the Commission is not a body of

experts in the field of the subject.

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Thank you.

(1) The Commission is not a body of

experts in the field of the subject.

(2) The Commission is not a body of

transportation.

"Thus the same cry comes home echoing down the ages for more than three hundred years to be used today against the operation of trucks on the highways. It is doubtful if the present cry will be any more successful than when it was first made in 1633."

MR. O'DONNELL: Is that an extract, Mr. Hume?

MR. HUME: Yes, I am going to file this as an exhibit. There are two copies January 2nd and the following one of January 9th. I am not going to read any more of that into the record, but it will be available.

EXHIBIT NO. 122 -- Photostatic copy of  
Saturday Night,  
January 2, 1937, and  
January 9, 1937.

MR. COVERT: You could, perhaps, describe it as photostatic copies of the Saturday Night, dated Toronto, January 2nd, 1937, and January 9th, 1937.

MR. HUME: There are enough copies filed, I think, for all counsel present.

Q. To clear up one point on page 16 under Regulations, again, you refer to Exhibit No. 7. On page 9 I would like to draw your attention to a statement made in your Appendix, Exhibit 7, page 9.

THE CHAIRMAN: Where is this?

MR. HUME: On page 16 of the brief there is a reference to Exhibit 7. Exhibit 7 refers to the brief as part of Exhibit 121 in this hearing. I am drawing your attention to page 9 of the same Exhibit No. 7. In dealing with the province of Quebec and province of Ontario under the general heading of Public Convenience and Necessity, you say that in both cases the legislature



stated that consideration should be given effect to highway licencing of other means of transportation. I merely want to suggest that there is no legislation in other provinces for that?

A. I would have to look up the Act. I cannot recall it as to just whether it appears.

Q. I am suggesting that it does not appear anywhere.

QA. You may be quite right. I would be surprised if some errors did not creep into some of these exhibits. I will have it checked for you, though.

Q. On page 18 of the brief, section 51 of the Transport Act, 1938, I understood you told Mr. Covert on Friday that you considered that to be a definition of convenience and necessity?

A. Yes.

Q. May I point out in that section there is included in the definition of public necessity the words "inter alia"?

A. You may be right in the legal point and I do not propose to argue with you, but that section 51 is the best definition of public convenience and necessity and it should be included in any highway legislation.

Q. I am suggesting to you that it is no definition; if you didn't find it with the other things in it you might have a definition.

A. It may not be. That is what we want to be taken into consideration in granting or refusing licences.

Q. Now, then to hurry through on page 20, reading from the middle of the first paragraph, you say:

"In 1937 the then Minister of Transport introduced a bill in the Canadian Senate designed, inter alia, to place control of interprovincial





and international highway operations under the jurisdiction of the Board of Transport Commissioners. As is not unusual with proposals to depart from existing practices, there was considerable misconception in the minds of provincial authorities and highway interests as to the real purpose of this measure."

Mr. Gaffney, I want to ask you whether or not you have read the proceedings before the Senate Committee?

A. Yes, I have read them.

Q. Would you say there were misconceptions in the minds of the provincial authorities from reading that evidence?

A. Yes, I would say that very definitely.

Q. In what regard?

A. One incident I recall, and mind you, it is nearly ten years since I read that, one incident was that Mr. Howe had suggested the nominal registration fee, and the provinces seemed to take that to mean that there was an attempt by the dominion to deprive them of their rights to assess fees on these vehicles. A great deal of time was taken up on the very subject we are discussing now.

Q. Competition and its effect on the railways?

A. Yes.

Q. You would not suggest that there was a misconception in the mind of the province of Quebec that filed a brief and at page 155 of this evidence claimed that it was ultra vires?

A. I don't know whether there was a misunderstanding. When these things were discussed there seemed to be a matter of misunderstanding. I sat in on most of these



proceedings. Certainly I was . . . left with the definite idea that the advances on that fee basis alone had misconceptions.

Q. There was no misconception but they seemed to think it was against the control of intra provincial traffic?

A. They certainly opposed it. I have no idea why.

COMMISSIONER INNIS: Q. You have made no study of your provincial revenues?

A. If it would have the same effect, Dr. Innis, if you carry to the conclusion when there is highway transportation restricted to both provinces irrespective of the cost in gasoline sales.

Q You have not made any study of that?

A. No.

MR. HUME: I do not propose to ask any questions in connection with the pages of your brief from page 24 to the end because of the discussion we had on Friday morning, but I want to state for the record that my failure to cross-examine does not indicate that I am in agreement with what you say, and that the Canadian Automobile Transport Association disagrees with any suggestion that the users of the highways are not to pay their proper share, and they believe they should pay their proper share whatever that might be, so there is no misunderstanding on the record.

THE CHAIRMAN: I suppose the question would be who is to judge what the proper share should be?

MR HUME: I am sorry, Mr. Chairman, I didn't hear the first of your question.

THE CHAIRMAN: I suppose the position would be who is to determine what is the proper share?



MR. HUME: Yes, Mr. Chairman, and I submit that is a matter for each province at the present time to decide as they are paying out the money and it is their responsibility to maintain and construct highways and it is for each province to decide what is the proper share and to levy such taxes or issue regulations as will satisfy them as to the proper share, and it is a matter of provincial jurisdiction, a matter for each province to decide.

THE WITNESS: We agree with that position one hundred per cent.

THE CHAIRMAN: Mr. Hume, returning again to this question of 1937 when the Transport Act was in the Senate, does the Transport Act make any remark about transportation by highway?

MR. HUME: No, Mr. Chairman, but there was a section for control of international and interprovincial transportation. The matter came up before the Senate Committee and was thoroughly discussed and the provinces of Ontario, Manitoba, Saskatchewan appeared by counsel and took violent objection to the measure both from the statutory point of view and the practical point of view. The province of Quebec appeared by counsel and also took violent objections upon that point. Expressions of opinion were heard from two of the maritime provinces, Nova Scotia and New Brunswick, who took exception when the Bill came up, and that section was completely eliminated.

THE CHAIRMAN: Have you got a copy of the original bill?

MR. HUME: I have the proceedings and, I think, the original bill.



THE CHAIRMAN: Now, I want to ask you a question.

Is it fair to say that the highway program is a very important part of the federal government's budget? And is it fair to say that the highway program is a very important part of the federal government's budget? And is it fair to say that the highway program is a very important part of the federal government's budget?

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THE CHAIRMAN: I think it would be useful for us to see the original bill.

THE WITNESS: I think we have that, sir, and can produce it for you.

MR. HUME: I have the original bill but it is marked up badly and I suggest that a clean copy would be better for your purposes.

MR. COVERT: I was wondering if it might not be useful, if it is short, to have it taken into the record. It is too long to get copies.

MR. HUME: Is there any further matter, Mr. Chairman, on this?

THE CHAIRMAN: No, thank you.

MR. O'DONNELL: Would it be well to give it an exhibit number at this point?

THE CHAIRMAN: We have not got it yet. I presume it can be obtained from parliamentary records.

MR. COVERT: Perhaps, we should not file it as an exhibit until we find out whether we can get copies.

MR. HUME: If you cannot, this is available for the examination of the Commission at any time. This is the only one.

THE CHAIRMAN: In any case, since there was discussion before the House of Commons and the Senate the bill itself will be brought out in the discussions.

MR. O'DONNELL: The clerk of the house did not have it.

CROSS-EXAMINATION BY MR. FRAWLEY:

Q. Certainly, after what you proceeded to present here, I take it that the railways price their services not on the basis of cost but on the basis of what is



commonly termed value of service?

A. As a generality that is true.

Q. In other words that means in your opinion a high rate of traffic based on a low rate of traffic?

A. Yes.

Q. What would you say in regard to the truck position? You say that the trucks come into the transportation field and take a higher rate of traffic?

A. Yes, that is correct.

Q. That is, if they take the traffic that pays well and what the railways rely on for the most part they are not good revenue for them?

A. Yes.

Q. Your solution to this problem is that there should be a co-ordinated transport system which would restrict the ability of the trucks to take this high rate traffic away from the railways?

A. Not necessarily that interpretation. A co-ordinated transport system that would have the effect of using the transportation facilities to the best possible advantage.

(Page 9347 follows)



THE CHAIRMAN: In any case since there was a discussion of it before Committees in the House of Commons and the Senate, the documents will be set out in the discussions?

MR. O'DONNELL: Sure, the Clerk of the House will have it.

THE CHAIRMAN: Anybody else wish to question Mr. Gaffney?

MR. FRAWLEY: Yes, I want to ask Mr. Gaffney some questions.

CROSS EXAMINATION BY MR. FRAWLEY

Mr. Gaffney, the central feature of the proposition you present here, I take it, is that the railways price their services not on the basis of cost but on the basis of what is commonly termed "the value of service"?

A. As a generality, that is true sir.

Q. In other words, that means in your opinion that the higher rated traffic pays for the lower rated traffic?

A. Yes.

Q. Now then, what you say with regard to truck competition then is that the trucks with no obligation to move the low rated commodities, come into the transport field and take the higher rated traffic?

A. That is correct.

Q. That is, they take the traffic which pays well and which the railways rely upon for a major portion of their net revenue?

A. That is correct.

Q. Now, your solution to this problem, the problem of syphoning off the high rate of traffic to the trucks, is that there should be a coordinated



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transportation system that would restrict the ability of the trucks to take this higher rated traffic away from the rails?

A. Not necessarily that interpretation -- a coordinated transportation system that would allocate to each transportation facility the sphere in which it could operate to the best public advantage.

Q. But on the basis of cost --

THE CHAIRMAN: Mr. Frawley, now when you use the word "sphere" I understood the other day you meant the mileage sphere?

MR. FRAWLEY: Yes, or area or something of that nature.

THE CHAIRMAN: You are not talking now of the quantity of goods transported?

MR. FRAWLEY: No sir. The restriction you describe is a restriction primarily founded upon a cost basis?

A. Primarily, yes -- not entirely but primarily.

Q. And the solution that I have very briefly put to you is the solution you suggest, restricting what you call the "economic sphere" of the truck operation to the sphere where, on the basis of cost, they can best perform?

A. Cost and the other things I have mentioned.

Q. That is true, cost qualified by those other considerations?

A. Yes.

Q. Now, Mr. Gaffney, have you explored any alternative solution before proposing this one to the Commission or to your own people?

A. I know of no alternative solution. One could get into fields of a suggestion of subsidies on the



traffic unquestionably but, as I explained to Dr. Angus on Friday, I personally do not like subsidies and to enable the railways to stand on their own feet we think this is the only solution that can be offered.

Q. All right, now let me put two or three alternatives to you. You accept the loss of the traffic to the trucks and you accept the loss of the net revenue which would result from that and readjust your pricing system so that having in mind a traffic which you entirely move, you would have a satisfactory net revenue position?

A. I disagree with you, sir. If we were to adjust our pricing system to take care of those factors as you suggest in your view, we would so destroy the economy of this country that the net result would be we would have far less traffic than we have today and probably far less net.

Q. Then you reject that alternative?

A. That is right.

Q. An alternative which is in substance to increase the rate on the low rated commodities?

A. If you increase them so that all rates are in balance. If you are suggesting to me that cost be the factor and that all traffics bear their proportion of total cost, I say that is the case. I am not suggesting to you sir, that the rates on the low rated traffic could not be increased to some degree.

Q. Now, my first alternative suggestion is that you accept the loss of the traffic and you accept the loss of the net revenue which would result from accepting the loss on the traffic and then readjust your pricing. You reject that?

A. Yes, if you readjust the pricing system equally



amongst all commodities.

Q. Now then, the next suggestion I make to you is as an alternative before coming to this very radical proposal, that you accept the loss of the traffic to trucks and the loss of the net revenue which would result and cut down your costs, decrease your operating ratio?

A. Frankly I do not follow the point at all. We are now the cheapest cost agency and <sup>have</sup> the cheapest railway cost in the world as a matter of fact, and to suggest to me that we could so cut down that cost as to enable us to compete with trucks, I reject absolutely.

Q. You reject it?

A. Absolutely.

Q. Now the third alternative, you accept the loss of the traffic, and the loss of the net revenue which would result and take the prospect of being required to receive a direct subsidy from the government?

A. That is a possibility but one that we do not like.

Q. You reject that?

A. Yes.

Q. Now then, we come to your solution having rejected all those and you say "We will control the competition so that the higher rated traffic is forced to the railway". That is your solution, that the higher rated traffic is forced to the railway?

A. Only the higher rated traffic or any traffic moving beyond the economic sphere of the truck as determined by the Board we suggested.

Q. Now the higher rated traffic having been passed to the rails, it could then look after the low rated traffic?





A. We think so.

Q. Now then, that means then that the higher rated traffic could be said to subsidize the lower rated traffic?

A. Oh quite. The whole freight rate structure in Canada is in the form of subsidy.

Q. Isn't that a peculiar thing, to have a subsidy from one group of shippers to another group of shippers?

A. We feel that is the only way this country can be built up and progress.

Q. Having one group of shippers subsidize another group of shippers is acceptable to you and direct subsidy from the government is not?

A. That is correct.

Q. Now then, turning to the practical problem, have you made any study of the profitability of particular commodity movements in Canada, and by way of further elaboration may I say can you, for instance, tell me how much net revenue the railways got from their total movement of, say, salt?

A. The Railway Association, to the best of my knowledge makes no studies of that nature.

Q. Can you tell me the net revenue that the railways get from their total movement of lumber?

A. No, nor any other traffic, sir.

Q. Can you tell me how much they get for their <sup>traffic</sup> total first class/movement?

A. No sir.

Q. Or for the sum of the first four classes?

A. No sir.

Q. In your opinion would cement, lead ore and concentrates, be commodities which would pay low rates?

A. I have no idea.

Q. You have no idea whether they pay even what could be called "low rates"?



A. I am not an authority on freight rates, Mr. Frawley.

Q. Well, do you know that they pay less than boots and shoes?

A. I would think so, yes.

Q. What I meant was, if you thought that such things as cement, lead ore and concentrates, asphalt, wool, hides, common bricking and railroad ties were commodities that paid low rates and consequently rates on the proposition we have just discussed, they would have to be subsidized by the movement of higher rated traffics?

A. Without making a study of the rates of that traffic, I cannot answer you.

Q. You would not say either yes or no?

A. I would not say yes or no; I don't know.

Q. Well, you do say that higher rated traffic must be said to subsidize lower rated traffic. Now, when I gave you these instances, are not these just the instances where you think these subsidies would apply?

A. Well, I have no idea without examining those rates individually.

Q. Well, there is such a thing as higher rated traffic subsidizing lower rated traffic?

A. Yes.

Q. Then all you are pleading ignorance to is a case where it is the lead ore and concentrates, hides and wool versus the refrigerator and washing machine and other higher rated goods?

A. Yes, but I don't know the group into which these commodities fall.

Q. What do you mean by "group"?

A. Whether they are very low rated, whether they are just average or whether they are highly rated.



I would have to have someone take a tariff and set them out for me and in different areas they might vary quite widely.

Q. Well, these industrial goods, washing machines and so on, do you think they would pay the higher rate?

A. Washing machines would, I would think.

Q. Well, if washing machines are a higher rated traffic, would not the mere fact that the number of cents per hundred pounds was higher, make you think that these were higher rated goods?

A. If you will give me the number of cents per hundred pounds I will tell you that, but I don't know.

Q. What I mean is, Mr. Gaffney, you cannot tell me then whether or not in actual fact it might very well be that cement and lead ore and concentrates and asphalt might be making substantial contributions to the net revenue?

A. They may or may not; I don't know, Mr. Frawley.

Q. So that they might very well be making substantial contributions to the net revenue?

A. They may or may not.

Q. And the higher rated goods may be making a very very little net contribution to the higher rated traffic?

A. I don't think that would be right at all.

Q. Well, you don't know; you say you don't think so. How can you deny or disagree with the proposition I am making if you have not made any study?

A. Well, my common sense tells me and I did not say I had not made any study. I said that the Railway Association of Canada makes no study and expresses no opinion; my own common sense tells me when you get into





both of these things, the higher rated traffic certainly would have a greater contribution to net than would the lower rated traffics.

Q. A greater contribution to net?

A. Yes.

Q. But such a contribution to net as opposed to the contribution to net made by cement, lead ore and concentrates and asphalt that one could be said to be subsidizing the other?

A. I don't know the rates of cement, lead ore and concentrates and asphalt.

Q. Now on Page 11, Mr. Gaffney, of your brief you speak about 50 per cent of the traffic on Canadian railways in the year 1948 moving at rates below one cent per mile. What you say precisely is, and I will read it so as to have it on the record on Page 11:

"... about 50 per cent of the traffic of Canadian railways in the year 1948 moved at rates below one cent per ton-mile. Another group of commodities comprising about 25 per cent of rail traffic moved at about the average cost of 1.2 cents per ton-mile. This means that the remaining 25 per cent must move at rates sufficiently above the average cost to make up for the 50 per cent moving below average cost."

That is what you say?

A. Yes.

Q. Now, do you mean that this remaining 25 per cent is making up for the loss on the 50 per cent which moves below the average?

A. That is right.

Q. Well, when you say that the average cost of moving a ton-mile of freight by rail is 1.2 cents what



you mean, Mr. Gaffney, is that it costs more than 1.2 cents per ton-mile to move some traffic, and it costs less than 1.2 cents per ton-mile to move other traffic?

A. That is correct.

Q. Now, do you know the cost per ton-mile of moving the 50 per cent of the traffic which you say travels at a rate below one cent per ton-mile?

A. It varies from a half a cent to one cent per ton-mile.

Q. You know that?

A. Oh yes.

Q. What is your reference, what reference can we have from you for that, Mr. Gaffney?

A. Well, we have made various traffic studies, (I am speaking now as an individual railroad) and determined the ton-mile rate on various commodities. Now, I know as a generality that grain, coal, pulp wood, sand and gravel, to use those as instances, are generally in the class below one cent per ton-mile and that they, by and large, constitute with one or two other commodities about 50 per cent of the traffic of the Canadian railways.

Q. Now, even in the face of that you are now telling me this, Mr. Gaffney, that the whole of the 50 per cent division could make a substantial contribution to net revenue even though it moves at a low rate below the average cost?

A. Oh, quite.

Q. On the other hand, the 25 per cent traffic at a rate above the average cost could all be lost revenue?

A. It would be most unusual if that were so.



Q. It could all be lost revenue?

A. It would be unusual if that were so.

Q. You say it again and I will only have to ask you again. It could all be lost revenue?

A. No.

Q. It could not be?

A. No.

Q. You do not assume the possibility?

A. All of it, no.

THE CHAIRMAN: What is the term you are using?

MR. FRAWLEY: Lost traffic, traffic on which they actually lost money. On page 15, Mr. Gaffney, you say "Service regulations for the common carrier vehicle extends to operating rights, schedules and rates; for the private vehicle it is almost entirely a matter of ensuring orderly traffic flow."

THE CHAIRMAN: What page?

MR. FRAWLEY: Page 15, just at the bottom of the page, my lord.

A. I think the word is "orderly flow"?

Q. Now what do you mean "orderly flow"?

A. A regulated flow, perhaps Mr. Frawley, is the best way I can describe that -- an orderly flow bearing in mind the whole transportation situation. I think a regulated flow would perhaps describe it as well as I can.

Q. What is "almost entirely" a matter of orderly flow?

A. Well, there is no rate control involved in that. I think that is the major point, as I can recall it.

Q. Now this is on private vehicles, a private truck?

A. Yes.





Q. So that we will have our definitions correct, that is the private truck owned by the industrial concern that trucks its own goods?

A. Yes.

Q. Now you say that the regulatory board would ensure or should ensure or one of its duties should be, almost entirely its whole duty, should be ensuring orderly traffic flow of the vehicles of the industrial concern that owns them and operates them on the road?

A. Yes.

Q. Frankly, I do not know what you mean about orderly traffic flow. If they wanted to send out ten trucks in one day, if their business, they thought, required that, the regulatory body might say, "no, send five"?

A. That is not my point, sir. Orderly traffic flow, as we contemplate it here, is that the regulatory body would control the movement of the private vehicle in similar fashion to the for-hire vehicle.

Q. Well, you draw a distinction?

A. The distinction is that in the case of the for-hire vehicle, not only do we suggest that the Board control the movement but we suggest that the Board would have rate control and that would not apply in the case of the private vehicle.

Q. But you do say "schedules". You say schedules. This is orderly traffic flow isn't it?

A. Schedules would be orderly traffic flow, yes.

Q. So that we can take these schedules over into the proposition regardless of the private vehicle?

A. Not necessarily, no. In one case the man is moving his own goods and I think he should be permitted to move them at all times that suits his



convenience. In the other case, the for-hire operator is holding himself out as a public servant and there might well be many instances where public interest demands that he move on a particular schedule set down by the regulatory board.

Q. But you said that you wanted to ensure orderly traffic flow on the part of the industrialist owning his own vehicles. Now I thought there was an identity between orderly traffic flow and scheduled operations?

A. It is not intended to be such.

Q. Then what does it mean if it is not a scheduled operation and the matter of rates is not involved?

A. It involves what I have just said, Mr. Frawley, the movement of the vehicle within the area determined by the Board.

Q. The Board would determine the area?

A. Yes.

Q. Now, I want to ask you something more about the private carrier a little later on. Will you follow what you say on Page 19 in which you make a pretty sweeping statement about the degree of control in Canada. "In these latter provinces (and 'these provinces' are Newfoundland, Prince Edward Island, Nova Scotia and Alberta) -- in these latter provinces no form of control is exercised over trucking operations other than safety requirements and the policy of the prescribed fee."?

A. Yes.

Q. Now, Mr. Gaffney, you have made that statement after due research, I suppose?

A. Yes, I think so. The research was done -- I did not do it myself but it was done.

Q. Have you re-read it? You have not done any work on it lately? That was written some time ago, was it not?



A. It was written, I think, several months ago.

Q. Well, I will call your attention then to a section which you or your research worker probably overlooked, Section 29 of the Public Service Vehicles Act of Alberta / <sup>under</sup> which all public carriers are licenced to operate and which reads as follows:

"(2) No driver or operator of a public service vehicle shall refuse to carry the commodities stated in the owner's certificate if the same are offered in proper condition unless at the time of the offer the vehicle is loaded to capacity or owing to climatic conditions the property is liable to perish in transit."

Now is it fair to say that you did not have that in mind when you made the statement that there was no form of control in Alberta except a safety requirement and a fee required?

A. I did not consider that form of control in the sense we are speaking of control here. We are speaking of control of the number of vehicles out on the highway and the purposes for which they are put on the highway.

Q. I am challenging your sweeping statement that the only control in Alberta is a requirement in respect of safety and the collection of a fee.

THE CHAIRMAN: Mr. Frawley, in the section that you read a moment ago, there seems to be a control there of the nature of the freight which the truck is to carry?

MR. FRAWLEY: Yes, that is true.

THE CHAIRMAN: Will you read that again?

MR. FRAWLEY: "No driver or operator of a public service vehicle shall refuse to carry the commodities stated in the owner's certificate if the same are





offered in proper condition unless at the time of the offer the vehicle is loaded to capacity or owing to climatic conditions the property is liable to perish in transit."

THE CHAIRMAN: That is, he is limited to the kind of traffic and in such cases he must carry them?

MR. FRAWLEY: Yes, I am only endeavouring to point out that there is a much greater degree of control over truck operation than one would be led to believe by the short statement in Mr. Gaffney's brief that all we control is safety and we are sure that we get our fee.

THE WITNESS: May I call your attention to the whole paragraph, sir, from which you are reading an extract?

MR. FRAWLEY: Yes.

A. We say:

"Common and contract regulation covers operating rights, schedules and rates. At present there is no uniformity throughout Canada. In all provinces fares on buses are subject to control but truck rates in Newfoundland, Prince Edward Island, Nova Scotia, Quebec, Ontario and Alberta are whatever the trucker wishes to charge."

They are confined to public service vehicle licences and it is that that we are talking about.

Q. Then you go on to discuss that in more detail and you come down to Newfoundland, Prince Edward Island, Nova Scotia, Quebec, Ontario and Alberta, and you say there has been only one form of control in these provinces over trucking operations and that is in the matter of safety and in the matter of the fee?

A. Yes.



Q. Now then, do you know that there is regulation with regard to weight limitation in Alberta?

A. Yes, I think it is so set out in our brief.

Q. Do you know that there is a regulation with respect to insurance requirements?

A. I think we set that out, sir

Q. Do you know that there is regulation with respect to hours of work?

A. I am not sure of that, to be quite frank. It may be in the appendix or it may be under the Labour Act; I am not positive.

Q. Do you know there is a regulation regarding the bonding of the operator for C.O.D. shipments?

A. I think that is true.

Q. Now then, would you look at your schedule, Page 15 of Exhibit 7 of your appendix which is in itself Exhibit 121?

THE CHAIRMAN: What page of 7?

MR. FRAWLEY: Page 15. First my lord, you will have to find Exhibit 7 in the appendix and then page 15 of Exhibit 7. It is a tabulation of the regulations. You will see with respect to Alberta that you say there is no regulation with respect to brakes?

A. Yes.

Q. Now, that is your statement as to what the situation is in Alberta, that truck operators can operate trucks in Alberta without brakes?

THE CHAIRMAN: Where is the comment about brakes?

MR. FRAWLEY: "Brakes" is the fourth column over, sir.

THE CHAIRMAN: I thought you were saying "rates".

MR. FRAWLEY: No, "brakes" sir.



THE WITNESS: Perhaps if you would give me a reference to the legislation it would facilitate my finding it.

MR. FRAWLEY: I am afraid you have overlooked a whole statute, Mr. Gaffney, the Vehicle and Highway Traffic Act of the Province of Alberta, and on the assumption that you have overlooked the whole statute, I will only call your attention to the fact that Section 38 deals with brakes. Then, you say we have no regulation in regard to sounding devices and I direct your attention to Section 39. You say we have nothing to say about rear vision mirrors and I direct your attention to Section 41 of the Highway Traffic Act and so on.

A. You may be quite right, sir. I suggest that you probably are because we seem to be unable to locate that piece of legislation.

Q. I have not gone through your whole indictment, Mr. Gaffney, but I am not to be taken as admitting that I am guilty of the other counts in the indictment. Will you look --

MR. SINCLAIR: When is Mr. Frawley's answer coming?

MR. FRAWLEY: "It may be said that the type of traffic (I am reading from Page 21) most in need of regulation from the point of view of national interest is long haul traffic which is to a large extent inter-provincial and international . . ." Are you saying, Mr. Gaffney, that in Alberta that inter-provincial and international traffic constitutes to a large extent the long-haul traffic?

A. I am saying no such thing, Mr. Frawley. I am saying "in Canada".

Q. I am asking you whether or not you can particularize





in so far as the Province of Alberta is concerned?

A. Not at all.

Q. I am certainly not trying to defend the whole Dominion of Canada.

A. Well, I am.

Q. Well, that is just the trouble. It might possibly be where you have undertaken a little too much territory. On Page 22, Mr. Gaffney --

MR. SINCLAIR: Is that a question?

MR. FRAWLEY: That is a question if you want to take it as such, Mr. Sinclair. On Page 22, you say:

"The principle of uniform control of highway transport is not new. It has existed in Great Britain (and that is the second last paragraph) in Great Britain since 1933 and the United States, Australia, New Zealand, Union of South Africa, Northern Ireland and Ireland have adopted such a programme."

I suppose, Mr. Gaffney, you have some familiarity with the transport situation in those countries?

A. Some, yes.

Q. In the Union of South Africa, in New Zealand, in Australia and in Great Britain the railways are either nationalized or are virtually a state monopoly?

A. I think that is true in all of those cases.

Q. And in some of those countries trucking is also nationalized?

A. It is in Great Britain; I don't believe it is in New Zealand or Australia.

Q. In the Union of South Africa I am told it is also nationalized?

A. I don't know, to be quite positive.

Q. In any event, as you were preparing this brief for submission here did it at all occur to you



that you were advocating what might be a direct step towards socialization in Canada?

A. Oh no, not at all.

Q. You do not think there is any degree of socialization in what you are proposing to the Commission?

A. Not at all.

Q. Would you turn the page to Page 9, Mr. Gaffney? There, when you were talking about Exhibit 6, you said: "that there are two reasons for using the truck costs on an all inclusive basis". Do you see that?

A. Yes.

Q. And "at the same time using railway cost on an out-of-pocket basis"?

A. Yes.

Q. Is it not a fact that for less than truck-load quantities and sometimes for truckload quantities such things as interest, depreciation, licence fees and insurance charges are a fixed cost?

A. In the case of the highway vehicle?

Q. Yes, the highway vehicle.

A. We debated that on Friday at some length and I believe I made the statement to Dr. Innis that our view on that is this, that the highway vehicle is such a small unit that the addition of any considerable amount of traffic will involve an additional capital commitment and that we are thinking under those terms, yes, interest and depreciation on the highway vehicle. I think I also told Dr. Innis that it was arguable whether that is a proper position but we think it is.

Q. But I am putting it to you a little differently, Mr. Gaffney. I am putting it to you that the operator



when <sup>estimating</sup> his out-of-pocket costs then as a practical matter disregarded the interest on his investment, his depreciation, his licence fees and his insurance charge?

A. I don't know whether he does or not but if he continues to do it he won't be long out of bankruptcy.

DR. INNIS: You were suggesting earlier that he did in view of the fact that there was such intense competition between trucks?

A. Yes, that went on for years. That was one of the difficulties in the transport industry.

MR. FRAWLEY: Now then, I want to ask you something else about Exhibit 6 and also dealing with what you say on Page 9. You say "From this it may be seen that while the truck is the economic carrier in the short-haul field, the railway is unquestionably the economic carrier in the long-haul field". Now, to get some figures into the record your Exhibit 6 says that at 400 miles rail L.C.L. is two and a quarter cents per ton-mile. Right?

A. At 400 miles?

Q. At 400 miles railway L.C.L. is two and a quarter per ton-mile?

A. Roughly that on the graph.

Q. Railway C.L. is three quarters of a cent per ton-mile?

A. Roughly that, I think, yes.

Q. And the thirteen ton truck is four and a half cents per ton-mile?

A. Yes, I think that is about right.

Q. Now you make the statement that the truck is the economic carrier on the short-haul field and the railway is the economic carrier in the long-haul field?





A. Yes.

Q. That is what I want to discuss. Mr. Gaffney, you are familiar with the Board of Investigation and Research, and the work which they are carrying on and have carried on in connection with railway transportation in the United States?

A. I was familiar with it when they were functioning, yes.

Q. They were functioning through the war period, 1944?

A. I have just forgotten; it was around that time, Mr. Frawley.

Q. I would call your attention to a study which they did and which now appears as Senate Document 84. I take it you are familiar with that?

A. I may have read it; I would not say I was quite familiar with it.

Q. You know the nature of the work which they did -- at least they made a comparison of motor, rail and water costs?

A. In the United States.

Q. Yes, in the United States and the instruction to that committee was that they should investigate the relevant economic competition of carriers by railroad, motor carriers and water carriers for transportation services on any particular classes or descriptions thereof with the view of determining the service for which each type of carrier is deemed fit or unfit. Whether you recall those instructions, you will take it from me that I am reading from the book?

A. Yes.

Q. Now at Page 3 of this document we find this statement: "The Board's studies show that under average



conditions, the motor truck is much more economical than rail transportation for hauling less than carload quantities. You are not surprised that they made that finding, are you?

A. I have no opinion one way or the other.

Q. Then, we will let it stand that way. Now taking Page 4 of this report there is a very interesting graph or figure called "Figure 1" and entitled "relevant transportation costs less than carload rail costs-less than truckload motor costs" and I want to call your attention to the costs which are reproduced in the figure in graphic form but which are reproduced in a table on Page 5 and this is what was found:

(Page 9372 follows)



"At 100 miles the rail cost was 46.5 cents per 100 pounds on a load of 10,000 pounds, that is l.c.l. movement." Have you that in your mind?

A. No, I could not carry figures like that.

Q. I am not asking you to carry a series of figures in your mind. I would like you to be kind enough to take a piece of paper and write it down for me.

A. I am sorry, I did not know you were asking me to calculate figures.

Q. No, not calculate, but to keep them in mind and tell me about the comparison I am asking you to make.

A. I thought you were asking me to comment on the validity of the statement. Would you give me those figures again?

Q. I put it to you that the report says (reading from the table on page 5) that the cost at 100 miles, the rail cost at 100 miles was 0.465 of a dollar or 46.5 cents per 100 pounds, using a load of 10,000 pounds, that is l.c.l. movement, and that the truck cost for the same movement, for the same mileage, was 25.4 cents. I give you the relative figure for 400 miles: by rail, 90.7 cents, truck 49.2 cents?

A. Yes.

Q. Have you got any comment to make, or do you accept the validity and the propriety of the study which the Board made?

A. Without knowing exactly what is in each of those cost factors, I would not comment at all on it, Mr. Frawley.

Q. I may tell you that in each case it is all-inclusive costs.

A. Well, I think I would rather have a look at that myself, to determine what is in their cost.





Q. It is only right you should have the document yourself and you can answer now or on reflection.

A. No, I would want to read this whole book. That is a most unfair statement.

Q. Subject to the ruling of the Commission, you may take that B.I.R. and just do anything with it that you like, as far as I am concerned, tear it apart, and take as much time as you like because I am not controlling the time of the Commission. I put it to you that that is what the B.I.R. says. Now you have made your answer we will pass to something else, Mr. Gaffney. You are familiar with the operations of Dench (Canada)?

A. No.

Q. You are not familiar with them at all?

A. I know, as I was mentioning to you on Friday, the general area, but I am not familiar at all with their operation.

Q. I would like to suggest a few things about them and see whether you know about them. My friend Mr. Sinclair is here and he knows all about them. They are long haul operators, Dench of Canada, in the sense that they have scheduled runs from Alberta points to Cranbrook, British Columbia. That would be considered a long haul, substantially, of the operator?

A. I would think so, yes.

Q. And from Alberta points to Regina?

A. I would think that would be a long haul.

Q. And sometimes as far as Brandon.

A. I don't know at all. If they have, that would be a long haul.

Q. That would be a long haul. If, as your exhibit 6 indicates, the railways can actually move freight cheaper than the truck for distances over 100 miles, what are your



views about the economics of Dench operations?

A. I think I explained that on Friday, also, Mr. Frawley. I believe Mr. Covert asked me that question. If that was directed to the question of the railway going into highway operation, there is another factor present, and that is the possibility of economy in railway operations by the substitution of highway service, and I believe I answered the question in relation to the Port Arthur-Geraldton area where some years ago we put on a bus-truck service and by so doing were enabled to discontinue a mixed train and way freight, and the consequent saving on this was sufficiently attractive to make up for any loss that might occur in the bus or truck operation. So that with the railway the sole criteria would not be whether the truck operation could stand on its own feet, that would not answer it. I don't know in the case you mention whether that is so.

Q. It was because I thought that you gave Mr. Covert an answer that I wanted to ask you something about the Dench Company. I assume the Canadian Pacific maintains scheduled operations by rail between Calgary and Cranbrook?

A. No, I don't know.

MR. SINCLAIR: I understand the witness has said he referred to it to the Commission counsel and, has observed to my friend Mr. Frawley, that he does not know the details or does not know anything about Dench operations. My learned friend, Mr. Frawley, said that I did, but unfortunately Mr. Gaffney is the witness and I am not, I am acting as counsel. I don't know what he expects me to do, whether he expects an answer from me to it, but I think he is going to be balked anyway.

THE CHAIRMAN: You are only assuming from Mr. Gaffney's answers what he does know and what he



does not know?

MR. FRAWLEY: You are quite right, but I have not gone very far yet.

MR. O'DONNELL: I should say that Mr. Gaffney is here for the Railway Association of Canada, but surely we are in this position that he comes possessed of knowledge about the Canadian National and when one talks to him about the Canadian Pacific operations, I don't know, but he must say so if he does not know.

THE CHAIRMAN: And if he does not know --

MR. O'DONNELL: If he does not know he cannot be made to. Furthermore, he is here <sup>on</sup> one aspect of the transportation problem. He does not hold himself up as being an expert in rate matters as such, nor does he know details of the finances of operation in one particular part of the country. He did not give any evidence of that, and he has said, "I don't know anything about Dench."

THE CHAIRMAN: But has not he so far been examined on statements in his brief?

MR. O'DONNELL: No.

THE WITNESS: No, sir.

MR. FRAWLEY: I will come back to the brief immediately. We get around the absence of knowledge on your part by saying if you will assume with me that the Canadian Pacific does operate --

THE CHAIRMAN: Pardon me, in his brief he talks of the economic truck and he feels, the truck for the short haul and the railway for the long.

MR. FRAWLEY: That is right. Therefore I think --

THE CHAIRMAN: I think your question about this long haul traffic there was by truck.





MR. O'DONNELL: I have no objection to these questions on the basis of the assumption by Mr. Frawley that he makes, but when he indicates that the witness does not know this or that about Dench movement, he did not say he did.

THE CHAIRMAN: But in any case he says himself he does not know and it is no use arguing that he ought to know.

MR. SINCLAIR: For example, my lord, my friend asked if Dench went from Alberta to Brandon. The witness said he didn't know, and if they did go, it would be also, "I don't know." As a matter of fact they don't go to Brandon.

MR. FRAWLEY: Now you are giving evidence.

MR. SINCLAIR: I am just saying that if you want to show what has happened here, there is an example.

MR. FRAWLEY: I don't know that it does much good to say so, but I understand they do go to Brandon. I will say that and let it rest. I put to you, Mr. Gaffney, assume with me that the Canadian Pacific Railway operates regular schedules of service between Calgary and Regina. Now, you say you would assume that with me, or would you not? Assume with me that Dench (Canada) operates regular scheduled runs between Calgary and Regina. That is where you say you don't know, so assume that with me.

A. Yes.

Q. Now then, on that assumption, the assumption that that is the fact, just on the assumption, what are your views about the economics of the Dench operation?

A. I have no views on it at all for the reason I have explained -- that it may well be that in that operation they were enabled to make reductions in train services by putting in highway services.



Q. Assume with me that the Dench operation parallels the C.P.R. operation, from Calgary to Medicine Hat, Moose Jaw to Regina, <sup>with the</sup> highway always practically in sight of the railways. Assume that. Do you still say that cuts in the rail services make up for the cost of putting trucks over the same services?

A. Of course I don't know that answer.

Q. And you have nothing in the world to back it up on?

A. I have just said that, and this is all an assumption.

Q. Now, Mr. Gaffney, I would take you to something else. At page 11 you make the statement that we have in this country the cheapest rail transport in the world?

A. Yes.

THE CHAIRMAN: Pardon me a moment, does that mean cheapest in the rate charged?

A. In the cost of operation.

Q. In the cost itself?

A. Yes.

Q. And also in the rates?

A. I don't believe that would be true, not necessarily true, but the cost of rail transportation in Canada, as best we can find out, is the cheapest in the world.

MR. FRAWLEY: You don't know, or can you tell me of any place in the world where it costs \$2.59 to haul canned goods 2,000 miles from Toronto to Calgary?

A. That is the rate, and not the cost, Mr. Frawley, I assume you are giving me.

Q. I am talking of the rate.

A. I am no authority on rates.

Q. Of \$2.59 to haul canned goods per 100 pounds from Toronto to Calgary or Edmonton, and I ask you if you know of any place in the world where it costs even



anything like that much?

A. I have no idea of rates.

Q. Now then, you say this country has the cheapest rail transport in the world. Do you know that if the Canadian shipper of freight was permitted to use the United States freight rate structure, canned goods would move from Essex County, Ontario, to Calgary at \$2.40 against \$2.59 which they presently have to pay?

A. I have no idea.

Q. Now, Mr. Gaffney, will you go to page 13, at the top of the page, where you say:

"It is clear therefore that while in general it costs four to five times as much to move traffic by truck as it does by rail, the fact that competition on a rate basis is possible in the long haul field is due entirely to the nature of the railway rate structure."

Now I want to ask you if you are familiar with another work in the United States called "Transportation and National Policy", a publication of the National Resources Planning Board, published in 1942?

A. I may have read it. I think I did sometime.

Q. I think if I show it to you, you would even recognize the format.

A. Yes, I think I read that some years ago.

Q. I would like to direct your attention to a statement in this publication at page 409 wherein some data is given as to the average ton mile revenues for a small sample of common carriers by truck. At page 409 they say:

"A comparison with rail averages of about 0.994 cent in 1938 and 0.983 cent in 1939, would be misleading without allowance for differences in the





character of the traffic and the length of haul of the two forms of transportation. By and large, however, these averages differ little from those for rail services under comparable conditions. Considering the superiority of motor services in many respects, this approximate similarity of charges is a source of great advantage to shippers and a basic factor in the continued expansion of motor transport services."

And I should tell you (I have given you the rail averages) that the truck cost was 3.88 cents. Having in mind first the difference between the two sets of costs, but keeping in mind the comment of the people who made the study, what have you to say about that?

A. Nothing whatever.

MR. O'DONNELL: I may just make this comment. I cannot see the benefit of taking a document concerning traffic studies made in 1942 in another country where conditions are altogether different to what they are in our own country. It has not any pertinence or application.

THE CHAIRMAN: I have been waiting to see just what light it throws on our problem.

MR. O'DONNELL: You might just as well read the Encyclopedia Britannica or the Reader's Digest.

MR. FRAWLEY: The witness has been, throughout his brief, comparing the average costs by rail and the average costs by truck, and what these people are simply saying, my lord, is that it would be misleading to compare averages without allowance for differences in the character of the traffic and the length of haul of the two forms of transportation. Now, if the witness, notwithstanding what seems to me quite a simple statement, says, "I have nothing whatever to say", while I don't want



to read it twice, does go on to say, --

"By and large, however, these averages differ little from those for rail services under comparable conditions."

MR. O'DONNELL: I would just say that the witness deals with the problem of conditions in Canada, not what happened in some other country ten years ago. It is very interesting, but not very helpful.

MR. FRAWLEY: Mr. Gaffney, I want to go to what you have to say about the regulation of private trucks. You regard the regulation of the private truck as an integral part of the regulation which you propose this Commission should recommend?

A. That is correct.

Q. And being quite concrete and coming right to home about it, I want you to examine the situation of the Burns and Company in Calgary, for example, a large processor of livestock, in other words, a packing plant. I want you to assume with me that this company thought it was good business, however misled they may be, to make deliveries of packing house products by their own trucks as far as Lacombe, which would take them past Red Deer 100 miles, to Lacombe, another 20 miles; and assume the board of management in Calgary either use their present trucks or buy some new trucks and deliver their meat products to their retail outlets in the village of Lacombe.

THE CHAIRMAN: How far is that from Calgary?

MR. FRAWLEY: That would be 100 miles plus 20, 120 from Calgary. Now then, under your scheme you would limit them to somewhere about Red Deer?

A. I beg your pardon. I had made no such statement whatever. I have repeatedly said that under our plan



we are quite content to leave the limitation, if you want to put it that way, or the regulation of the commercial truck and the private truck, to the Board we propose to set up to determine what is the proper sphere.

Q. Yes, but, Mr. Gaffney, as far as I am concerned this is a serious business. I want to see how you are getting the Province of Alberta into it, so if you could just try to elaborate as much as you can, or particularize, on what this Board would do. I am concerned really with knowing what this Board would do, and if you tell me that you are just not able to tell me, perhaps I have not got very much to be alarmed about. Keep that in view with what I said about Burns and Company going by truck to Lacombe.

THE CHAIRMAN: What page of the brief tells what the Board should do?

MR. O'DONNELL: Page 23, my lord.

MR. FRAWLEY: Page 23.

MR. O'DONNELL: He did not say what Mr. Frawley said, either.

MR. FRAWLEY: There is a paragraph on page 23, my lord, and they direct particular attention to this matter, speaking about the increasing volume of these privately owned trucks, their competition with the railways and common carrier operators, and the regulation and control of this type of transport by some form of legislation is, they say, a problem which should receive the attention of any adequate national transportation policy. They go on to say:

"Failure to regulate the flow of private highway transport --"

THE CHAIRMAN: Where are you reading from now?



we are going to have a  
want to put in a new  
commercial bank and I  
we propose to put up  
apartment.

Q. Yes, that's right.  
There is a reason for  
putting this property  
into the hands of the  
state.

A. Yes, when  
the bill is passed  
I hope I can get  
it first.

Q. Yes, and  
the  
state  
will  
be  
able  
to  
pay  
it  
back.

A. Yes, and  
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state  
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Q. Yes, and  
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A. Yes, and  
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THE WITNESS: It is the last paragraph on page 23.

THE CHAIRMAN: "Failure to regulate the flow of private highway transport," yes, all right.

MR. FRAWLEY: I put it to you this way, Mr. Gaffney, it is quite within the bounds of what you contemplate that this Board might say, accepting your figures in Exhibit 6, and the short table at the bottom on page 9, that the economic radius of the 13-ton tractor trailer is 97 miles, that the economic radius of the 8-ton tractor trailer is 63 miles, and the 5-ton single unit is 91 miles. Let us assume now that this Board which you would set up for us would be guided by considerations such as those again I just ask you, assuming that this Board would have set 100 miles as the limit that a private trucker should be allowed to truck his products out of Calgary, that is a fair distance, is it not?

A. I don't know.

Q. But it is far removed from where you get it, and this would not be running contrary to what you have contemplated?

A. I do not know whether it is far removed or not. There are things to be taken into consideration and I would not go on record as saying that the Board might or might not set 100 miles.

Q. Supposing they set 150 miles?

A. Maybe so.

Q. They might say, take 125 miles.

A. It is possible.

Q. I only want to know what could be envisaged as the kind of regulation or restriction which this Board would put upon the private owner. They might very well say to them, "We won't let you truck any further than Lacombe or run out of Calgary." They might very well



say that.

A. Might very well, yes.

Q. Now if Burns and Company, notwithstanding this newly found restriction on their operations, would still wish to deliver by their trucks to Lacombe without using the for-hire truck or the railway, then you would force them to build a large warehouse somewhere in the Red Deer area so that they could truck into the warehouse and then continue trucking in there free 100 miles. Is that not what it means?

A. No.

Q. What would it mean?

A. I would not force them to do anything. I am content to leave it to the Board to say what is proper in the public interest.

Q. I don't think you are following me. I am putting to you at the moment some of the things which this Board might prescribe in the light of your recommendations. Now you granted me that they might prescribe that Burns and Company can only move their meat products as far as Red Deer out of the Calgary plant. You having put that to me, I now put it to you that that would force that company to build a huge warehouse at Red Deer and then do the further distribution beyond the 100 miles limit or with another 100 miles to go.

A. I don't know what it would force them to do, but I would be amazed if they could not use rail services for it.

Q. But I would be amazed if they did it without a loss.

A. I don't think any such thing.

THE CHAIRMAN: That could only happen in an extreme case which would bring an easement.



MR. O'DONNELL: But it is calculated on an agreement in the first instance between the Dominion and the Province.

MR. FRAWLEY: But you would not be amazed if it did force that truck traffic, that Burns would throw up their hands and send the traffic to the railway? There would be no amazement about that.

A. Is that a question?

Q. Yes, that is a question. That would be a consummation devoutly to be wished, would it not, as far as you are concerned?

A. As far as the railway is concerned, Mr. Frawley, all we ask is that we have a panel that is competent to determine what is in the national interest in the transportation industry, and we are quite content to rest on the decision of that tribunal.

Q. Now, that is the way you might like to look at it, from your ivory tower, Mr. Gaffney, but if we are looking at it from the practical standpoint of what you are going to force upon the executive council of the Government of the Province of Alberta, let me just put it to you from their practical point of view. You would have them pass a regulation which would tell the Burns Company that they must not truck beyond this economic radius which the Board would determine. That is what you would have them do?

A. If that was what appears to be in the national interest, certainly.

Q. In the national interest?

A. Yes.

Q. I thought you said yesterday you were going to leave some of these things to the provinces?

A. Oh, yes, but I think perhaps you misunderstand





the whole background, Mr. Frawley, from your questions. Let me go back to the fundamentals of it. What we have asked for in the first place is that there be appointed a panel that, in cooperation between the Dominion and the provinces, will arrive at what is a sound national transportation policy; that each of the provinces will agree that their regulatory boards will act in accordance with this policy; that there be appointed a tribunal to regulate and control interprovincial and international highway transport; and that there be an appeal board from the decisions of each provincial regulatory board and from the Dominion board controlling interprovincial and international highway transportation, so that we can be sure --

THE CHAIRMAN: It would be to whom?

A. An appeal to this appeal tribunal which might well be the panel which does determine the national transportation policy in the first instance, to be sure that the interpretation of that national transportation policy is uniform in each province. Now that means that the provinces must sit down with the Dominion in the first instance, if this is going to work at all, and agree that they will do certain things. Now, they must agree that they are in the national interest.

MR. FRAWLEY: Then, Mr. Gaffney, there would be only one, there would not be a series of steps to be taken. The Province of Alberta might only be asked to make one step, that is to agree that all this should be set up.

A. And take part in the panel.

Q. So the first fatal step would be to agree that it should be set up?

A. Yes, that is right.

MR. O'DONNELL: In the national interest?



A. In the national interest.

MR. FRAWLEY: Now then, before the Province of Alberta would decide whether it should agree or not, they would have to contemplate the things which might flow from this national set-up. That would be reasonable, would it not?

A. I would think so, yes.

Q. And if one of the things that might flow from this set-up would be that Burns and Company in Calgary would be told that they could not truck any more than 100 miles, if that should be one of them, do you think they should incur the wrath of the people of Alberta by agreeing to any such thing?

A. Certainly.

Q. They should?

A. One of the other things might be the bankruptcy of the railways in Alberta.

Q. Of the railways in Alberta?

A. That is right.

Q. Are there any railways operating exclusively in Alberta?

A. I don't know.

Q. Now, Mr. Gaffney, you have exempted the farmer's private truck from this scheme?

A. Yes.

Q. Now, why have you done that?

A. Because we feel that the farm vehicles handles primarily and essentially the farmer's own produce in a very short field.

Q. What is a short field?

A. It would vary in different sections of the country, but I think probably on the average throughout Canada 25-30 miles might be fair.



Q. Do you know that livestock is being trucked to market in Alberta at 150 miles?

A. Of course it is, and it is in Ontario, and it is in other provinces.

Q. In farmers' trucks?

A. Of course.

Q. And you would exempt that traffic?

A. That is correct.

Q. In farmers' vehicles for farmers' business?

A. That is right.

Q. And I say in Alberta, in farmers' vehicles, livestock is being trucked distances up to 150 miles to market.

A. Of course it is.

Q. And you will exempt all of them?

A. Yes.

Q. Why would you, because you assume with me now that it is not 25 miles operation but 150 actually being done on a good scale. Why would you exempt them?

A. I see no reason why in equity the farmer should be regulated in this. He is the producer of a base commodity, and as such I think he is entitled to a great deal more consideration than the man who is primarily in business for a profit. Now, in the case of the farmer the things you mention are undoubtedly true, that they do truck livestock 150 miles, but that proportion of the picture is so small as to be negligible.

Q. In Canada?

A. In Canada.

Q. But in Alberta it is not so small?

A. I am not talking about Alberta. I am talking about Canada.

MR. O'DONNELL: And it is still part of Canada, Alberta, is it not?





COMMISSIONER INNIS: I was going to say, would you expect a great number of people would become farmers as the result of this?

MR. FRAWLEY: I don't know whether Burns would call in all its farm trucks from the Burns ranches. Then you would have the exempted farmers' trucks delivering meat.

MR. O'DONNELL: There are ways of avoiding it, you know.

MR. FRAWLEY: What about the manufacturers of trucks, what would they think about cutting down the output of trucks?

A. I have no idea.

Q. That would be one of the end results, would it not?

A. I have no idea whether it would be a result or not.

Q. You don't think it would be one of the end results?

A. It might not be.

Q. It is very likely.

A. They might decide they could get out of the whole difficulty because of the rates they would get from the railways in that area.

Q. What about the Ontario Oil Company suffering a large loss of oil sales because of this cutting off?

A. I think you had better direct the question to them.

Q. Surely you have envisaged all that?

A. Yes.

THE CHAIRMAN: Does anybody else wish to cross-examine Mr. Gaffney?

CROSS-EXAMINATION BY MR. DARBY:

Q. You spoke the other day about studies being carried



on for coordination and cooperation with services, trucks and railways, the movement of freight and passengers. Have these studies been made with reference to any particular area, such as Prince Edward Island?

A. There has been a study made in Prince Edward Island, yes.

Q. And I take it that any such study would contemplate the elimination of certain unprofitable and uneconomical rail movements or freight movements and the substitution for them of certain movements of freight by truck.

A. That is the usual truck, bus or --

Q. And I take it then that with regard to passenger services you would contemplate a like elimination of certain services by rail and substitute for them a bus service?

A. Yes, we have done that in every instance

(Page 9392 follows)



Q. And in any proposal for co-ordination or co-operation such as we suggested in our brief that sort of thing would be eliminated.

A. Yes.

Q. Whether it was in Prince Edward Island or any co-ordinated scheme in other provinces.

A. That is quite right, sir.

Q. With reference to the allocation of certain freight movements and the substitution of buses for passengers, I take it that you would agree that there are three problems that you will meet. First of all, there would be the problem created when you have the movement between two points, one on the railway to a place where there is railroad service, and the second one would be from a point on the railway to another point also on the railroad, which is parallel, by trucking services or bus services, and the third would be where you would have railroad services between two distinct points but having no competition from other forms of traffic?

A. I don't quite follow you correctly.

Q. I asked the question where you might provide a service between points where there is no competition that you would not run into very much difficulty, but now the situation where you have present existing bus or trucking competition, if you are going to be enabled to eliminate certain of your services and substitute what you call more economical bus and trucking services, then you are up against the problem of regulation and control?

A. Yes.

Q. Under that situation you would have one of two alternatives. You must either operate a bus or





trucking service on your own or you would have to arrange the substitution of bus or trucking service by one or other of these outside agencies?

A. Yes.

Q The other alternative would be that you would eliminate the competitor?

A. No, I can think of instances where we contemplate the discontinuing of train service or of passenger train service and put on a bus and at the same time there is competing bus service.

Q. Wouldn't that eliminate him?

A. No, the present bus service operates ten times a day and the train once. We would only contemplate having one bus trip to take the place of the scheduled train. It wouldn't affect the man on the bus line.

Q. It would affect him when you had train service at one time and the bus service starts an hour later, and the fact that you run your train an hour earlier, it would take passengers from the bus?

A. I would contemplate in the circumstances such as that that our schedule of the bus would be the same as the train. In other words, the competitive service would be the same as to time. We would be only looking after those people who went by train. That would be substantially what we would be after, to replace the physical portion of the train with the physical portion on the highway at substantially the same time.

Q. We are interested in these proposals for Prince Edward Island. Mr. Frawley suggested a moment ago, and if you are to ask the bus driver, you take your bus out; we are going to wash you out of the picture, then we are going to have a problem.

A. Certainly there is not such a situation and I



never made any such statement.

Q. There is another feature that occurs to me. Perhaps, I haven't got the right slant on it, but we are interested in getting information. You say that trucking services do not pay their fair share of highway maintenance and construction?

A. Yes.

Q. If you are going to substitute trucking services on your own or trucking services that are being presently operated by independent concerns, wouldn't you naturally then say you would be willing to contribute your fair share as you suggested before?

A. Yes, we would be very happy to if everyone was put on the same basis.

Q. Perhaps you would elaborate on that. If we, then, as a province decided since you are now operating and you are driving on our highways and you say you are willing to pay additional cost, what would be the position of the railways? Would you not be in the position to say, "Now that we have been put to this additional cost, we are going to raise the freight rate."

A. Perhaps there is a bit of confusion between us. When you say additional costs you do not mean the whole additional cost of the highway maintenance and construction; you mean a proportion that those vehicles take?

Q. No, if we substitute for the present system a railroad-operated trucking service, now, suppose the province says, "Very well, you have to pay your fair share", and we increase the rates on your trucks, wouldn't you come back and say, "We are now paying more for our truck licences and more gasoline tax and therefore since our costs are increasing, we are going to increase the charges to the shipper"?



A. I don't know whether we would or not under that particular circumstance, but certainly in any particular case where the railroad pays for vehicles on the highway I am sure we would be very happy to pay whatever the province considered to be a fair share of highway costs. But we say in doing that that everyone else must pay their fair share on the same basis.

Q. I am concerned as to what the ultimate position of the province is going to be. We say that we will turn this over to the C.N.R. to operate. You take over the trucking service and you provide bus service, and we say you should pay your fair share of the highway maintenance and construction and we increase your charges for that purpose, and you come back in against us and speak to Prince Edward Island and say, "We want additional freight charges to carry this traffic"?

A. Wouldn't that be within the control of your regulatory body?

Q. Is that the only explanation you have?

A. It is obvious to me that it doesn't require any explanation.

Q. We are interested in these proposals. If it is going to mean a reduction in cost or an increase in services, yes, but where are you going to gain by the proposal?

A. The people of the province under any plan that reduces the over-all cost of transportation; they are bound to gain in that.

Q. I can see where they may gain in a little better service, quicker service. I think that the evidence is that I.C.I. from Charlottetown to Tignish take four or five days to get there. I can see if you substitute a trucking service ---





MR. O'DONNELL: The railway gets about 60 cents for the movement, and the truck about \$8.

THE WITNESS: I must confess that I am not at all clear on your question. I don't seem to get the point that you are asking about.

MR. DARBY: Q. If we are going to pay more what advantage are we going to get from this co-ordination of services?

A. I don't know how you arrive at the assumption that you are going to pay more.

Q. I would suggest the truck operators and bus operators who are paying a fair share of highway maintenance and construction, and you take it over and we charge you this fair share, the result would be you come back and say, "We have higher cost and we look after this additional cost of the railway."

A. When you say that we take it over we don't contemplate taking everything over. We would be one operator on the highway and the other operators would be in the same position. If your question is directed to this, that there is a deficit in the administration of your highways in the province of Prince Edward Island and if you recovered that deficit from the truck and bus operators then the present operator within the province is exactly in the same position. On one hand, the user is paying for it, and on the other hand, it is the general public. Is that what you mean?

Q. That may be one answer.

A. I suggest that is the only answer. It has to be balanced. That is the only thing I can see, unless I am confused.

Q. That is one answer, but if, on the other hand, the net result of this operation as outlined might well



mean the elimination of your competitor and then what is the position?

A I don't see how that possibly could occur. What we contemplate in most of these cases is merely substitution by highway service for existing rail service and only that highway traffic that we presently handle on the rail. If there are existant private operators handling traffic, I don't see how we are going to hurt them. We would go on the highway and handle the same traffic that we are handling on the rail now.

Q. You are certainly not suggesting that all you would be interested in would be to handle the same traffic you are getting now; you are definitely interested in getting such business as you can?

A. I am very seriously suggesting that it is to take care of the traffic we are handling now.

THE CHAIRMAN: Q. Would this traffic be consigned to the railway for transportation?

A. No, not in a technical sense, my lord.

Q. It would not be transported at railway rates?

A. Yes, at railway rates unless, and there is a legal point involved there. Frankly I am not competent to discuss it.

Q. Presuming that the legal point had been disposed of, tell us about that?

A. If the rate was subject to the provincial regulatory board by going on the highway, there would be a clash there.

Q. If you were given that rate. My question was as to whether you had in mind a railway not on its tracks but a truck as a railway at railway rates?

A. That would be my idea, sir, yes.

MR. DARBY: Q. Then the moment the rate is fixed



for the handling of this trucking service, we, as a province, would be faced with the proposition that the regulation of rates comes within the Board of Transport Commissioners, and it would be taken out of the hands of the normal regulatory board in the province?

A. I am not competent to tell what the legal point would be.

MR. O'DONNELL: It is all protected on an agreement made between the provinces and the dominion, which would be satisfactory to both.

MR. DARBY: Q. It would receive consideration in contradistinction to the federal board; the provinces would have to use this control to some extent?

A. We don't contemplate that the province would yield any of the jurisdiction it now has.

Q. I am suggesting that the agreement would take these things out of the hands of the carrying board and, therefore, you apply in Prince Edward Island what you will get when you go before the Board of Railway Commissioners?

A. The only answer I could give you in the case of the Canadian National<sup>1s</sup> we do have this highway system and in any of the ones we have, we go before the regulatory board.

MR. DARBY: I think that is all I have to say.

THE CHAIRMAN: Q. Mr. Gaffney, talking about this uniformity and control of highway transportation, you say it has existed in Great Britain since 1933, and in the United States and Australia? In Australia I think you pointed out here that the statutes of Australia usually controlled the railways as well as motor trucks?

A. Yes, sir.





Q. But what interests me particularly is the United States. You talked of the uniform control in the United States; is that what you said?

A. I think the word "uniform" is badly applied there.

Q. The United States is the one that probably fairly resembles our own country?

A. In some ways.

Q. You have studied the highways over there?

A. Yes.

Q. Just how far is this statement you make accurate as to uniformity in the United States?

THE CHAIRMAN: We will take it up after lunch.

---At one o'clock the Commission adjourned  
until 2.45 p.m.

(Page 9400 follows)



OTTAWA, ONTARIO.  
Monday, November 21, 1949.

A F T E R N O O N   S E S S I O N

MR. F. A. GAFFNEY recalled:

MR. COVERT: I think, Mr. Chairman, you had just asked Mr. Gaffney a question and he had not made an answer. You might get the reporter to read it back, if you like.

THE CHAIRMAN: No, I remember what it was. I was anxious to know whether you could point to any country where difficulties similar to those we have in Canada exist, where we have divided restrictions and if they have been able to get together and agree on a measure of control. You referred to the United States, for instance. That would be the case, of course, very much in point. You see, in Great Britain it is simply because there is only one legislature and the same in Ireland. They have recently done something about it but the question is have they done anything in the United States of a similar nature? If they have it would be very interesting to us to know about it.

A. The only thing that they have done in the United States, sir, is that railway transportation and highway transportation, interstate, is under the jurisdiction of one Commission, the Interstate Commerce Commission, but the control of the transport itself within the state rests with each of the forty-eight states.

Q. Well, in the state of interstate transport is there any over-riding body which has anything to



do with the maintenance of the highways or the cost of the highway construction and repair and so on?

A. I think, sir, that by and large at least each state looks after its own but I do believe there are federal highways in the states that are looked after by the federal government.

Q. Well, if there are federal highways, of course, as far as they are concerned they would be a government responsibility?

A. Yes, the building, maintenance and construction, yes sir.

Q. That is as far as you can tell us?

A. Yes sir, that is as far as we can tell you.

Q. Does anyone else wish to question Mr. Gaffney? Mr. O'Donnell, have you any?

MR. O'DONNELL: No sir.

THE WITNESS: One thing you asked me to do and that was to summarize for you the recommendations in the brief.

THE CHAIRMAN: Yes, I asked you whether you had summarized them.

A. Yes. If you wish me to I can give you the page numbers of the text where the page number appears or I shall read a summary into the record if you wish?

Q. You had better read that into the record.

A. It is recommended, however, that uniform control of highway transport in Canada may only be accomplished by agreement between the provinces and the Dominion. This Association, therefore, recommends that action be taken to bring about discussions between the provinces and the Dominion with a view to





establishing a national transportation policy which will secure the optimum advantage from each type of transport. This would involve an agreement by the provinces that their regulatory commissions should act in accordance with an agreed international policy and that provinces should enact measures uniform in principle to that end.

The Association submits that your Commission should recommend the establishment by the Dominion of an administrative tribunal with power to licence and regulate inter-provincial and international highway transport. Provincial boards or commissions have and should continue to have similar powers in respect of intra-provincial highway transport.

Q. That is all in your brief?

A. Yes sir.

Q. I have read that; you need not continue then.

A. And then sir, if I may, in reading through the transcript I have found the odd word or two incorrectly reported that in some cases quite seriously changes the intent. On Page 9121 --

MR. O'DONNELL: To save time I might say if he would file a list of those corrections that would be all right.

THE CHAIRMAN: All right, that will be all right.

MR. O'DONNELL: Before we go on to something else, my lord, in connection with this brief the Commission has just been hearing, there was some discussion this morning between Mr. Gaffney and Mr. Frawley concerning the cost of freight service in Canada. It occurred to me that it would be of interest to the Commission to refer to the evidence of Mr. Crump in the 30 per cent case which will be found in Volume 749 at about



4360 and 4368. At Page 4368 Mr. Crump gave the level per ton-mile for 1945 and contrasted it with the level per ton-mile in the United States, India, Union of South Africa, Italy, Sweden, Denmark, Germany and Great Britain, all of which were higher than the rate here.

THE CHAIRMAN: Canadian rates are lower?

MR. O'DONNELL: Yes, and that was uncontradicted.

MR. COVERT: Mr. Chairman, we will continue with Manitoba, Mr. Moffat.

R. E. MOFFAT recalled:

CROSS-EXAMINED BY MR. O'DONNELL.

Q. Mr. Moffat, will you please turn to Chapter 1, Page 6 in your brief. I think that is Page 47, my lord in the printed copy. The concluding sentence there in the first paragraph beginning "If there are a great number of these non-competitive rates on commodities movements wholly within the east . . ." and so on to the end of the sentence, first paragraph.

THE CHAIRMAN: Is that under the heading of "Railways as Instruments of National Policy"?

MR. O'DONNELL: Just above that -- "Transportation Other Than by Railway" on Page 47.

THE CHAIRMAN: "Hence the Manitoba government finds" and so on?

MR. O'DONNELL: Just above that, the second line: "If there are a great number of these unremunerative competitive rates on commodity movements wholly within the east".

THE CHAIRMAN: Oh yes.

MR. O'DONNELL: Now, you see that sentence, Mr. Moffat?

A. Yes sir.

Q. I take it the same would be true in reverse,



that if rates on traffic in the west are below cost, the deficiency must be made up by traffic elsewhere. The reverse would apply too, would it not?

A. Are you asking us the question as a fact as to whether this was or are you asking as a question of opinion as to what you think should be done?

Q. You commence the sentence with the word "if" and I don't doubt that the same would be true in reverse, that if the rates on traffic in the West were below cost, the deficiency would have to be made up somewhere else?

A. Yes, I think that is true in general perhaps but not as to the facts of the past.

Q. No, it is all on the assumption you make there. If the grains rates, for instance, were taken into consideration and they were lower than they should be and there were a deficiency on those, then that would have to be made up somewhere else?

A. Yes, if that was true something would have to be done about it.

Q. And in the next paragraph you say there, and I am paraphrasing it "The Manitoba Government believes that the benefits do not equal the burdens". Now that is the belief of the Manitoba Government. Has any detailed study of the matter ever been made in the way of studying way bills which, I understand, is the only accurate way of getting at any proper estimate of what the facts really are?

A. I would say two things to that. First of all, no study has been made, and secondly, way bill study, we do not believe in any way would be an answer to that question.

Q. The Manitoba Government believe there is --





just what you say then "believe"?

A. Yes, a belief based on the type of marketing situation that is involved and on the nature of the way the market operations for the commodities that are concerned are carried out.

Q. But no formal study of that has been made?

A. No.

Q. Now on Page 7, the next page, you speak there of the growth of other forms of transport. That is Chapter 1, Page 7 in the mimeographed brief and Page 47 of the printed brief. You speak there of the growth of other forms of transport. Do you see that?

A. Yes.

Q. Well, is the position that the Manitoba Government would go along with a collaborative or cooperative endeavour to the federal authorities in endeavouring to find an escape if the growth of highway transport in fact jeopardizes the railway revenues?

A. Well, as far as discussions are concerned, that is what has been going on before this Commission and that sort of thing, yes. As far as any statement of policy on behalf of the Government, that they would or would not be willing to surrender jurisdiction along the lines of this submission that was made by Mr. Gaffney, that is a point which we have taken up with the Government several times and have had several discussions but we are not --

THE CHAIRMAN: You have taken it up with the Government?

A. With the Manitoba Government in the way of discussion several times but we have no specific instructions as yet.



Q. When you say "We have taken it up" you mean yourself?

A. Our committee that have been working on this brief, yes, by way of preliminary discussion.

Q. This brief is the brief of the Government of Manitoba?

A. Yes, but not on this particular point. You see, this brief does not take any stand on that particular point.

MR. O DONNELL: No, but it refers to this subject in this brief "The growth of other forms of transport and the method of handling the problem created by such growth --"?

A. That is talking about it as the situation was prior to the Act of 1903. That is what that paragraph is talking about.

Q. And it goes on up to date "There have been considerable steps in growth of other transportation since 1903". ,You are not talking about the situation in 1903 in 1949 when you are trying to find a solution. Now if the partial remedy for the trouble is in the hands of the provinces, would Manitoba go along with measures that might result in a remedy?

A. Well, you are still thinking in terms of the truck question, are you?

A. Yes, and the over-all transportation policy.

A. I don't think I can answer that beyond what I have already said that there have been several preliminary discussions but we have no specific instructions as yet as to what policy statement we should be authorized to make. We are hoping to get something --

THE CHAIRMAN: Can Mr. Shepard tell us anything?



MR. SHEPARD: I think I may say that Mr. Moffat and I plan to go back to Winnipeg this week and that we hope to have instructions, not only <sup>on</sup> the matter of trucking but on two or three other matters that are still pending and have certainly not been dealt with in our submission to date.

MR. O'DONNELL: So you are not in a position to say any more than Mr. Shepard said on that subject?

A. No, not on the subject of trucks.

Q. Incidentally, this committee you refer to, as Economic Adviser to the Government of Manitoba I suppose you were the Chairman of the Committee?

A. That is correct.

Q. Among the committee was there any person who prior to their sitting on the committee which was about two years ago --

A. Three years ago.

Q. --- who had any experience with transportation matters?

A. No, none whatever.

Q. It started from scratch?

A. That is right.

Q. And they studied it from an academic point of view?

A. We have studied it from the point of view --

Q. The committee had no practical transportation man on it.

A. No, just what has been developed during the rate cases and in preparation for this hearing.

COMMISSIONER INNIS: Do you find that a great advantage?

A. In some ways and in others a disadvantage.





MR. O'DONNELL: You do not come to study the subject all cluttered up with ideas that railway men of thirty or forty years of experience have had?

A. That is right.

MR. FRAWLEY: Did you say "cluttered up"?

MR. O'DONNELL: And you have also ample freedom concerning restraints which may have been placed upon your actions knowing that in practice and in fact things ought to be done in certain ways?

A. Yes, there are advantages on the other side as well.

Q. Will you please go to Chapter II, page 2. I think it is Page 50, my lord, of the brief. You see towards the bottom of that Page 2: "In other words, the competitive operation of market forces becomes a regulator on which the public relies --" and so on?

A. Yes.

Q. That is true where there is a free market?

A. That is what we are describing there in the next sentence. It says "This situation does not, however, prevail in the railway industry." And there is no free market as far as the railway is concerned.

Q. That is because they are regulated and fixed by the Board?

A. No, that is because the competition basis is such that the railways have an almost complete monopoly in the great bulk of the type of traffic that concerns in the West.

Q. But the railways are not in a free market in so far as their service is concerned. The rates charged by it are restricted by the Board which regulates it?

A. That is not what prevented railway operation



from being subject to the market forces. It was because the railway rate structure was not subject to market forces that this other form of control was brought in. The control was put in in order to protect the public against the consequences of the competitive position, the monopoly situation which existed.

Q. Some time ago?

A. And at the present time.

Q. Well, at the present time the competitors of the railway are quite free whereas the railway has a rate that is restricted?

A. The competitor is not free in our province.

Q. To within certain limitations. Theoretically, I understand you have certain regulations which it is said are not enforced in all cases?

A. Well, I would not want to agree with that but certainly the truck operator is not unregulated.

Q. The railways are far less free than the trucks. Let us leave it at that.

A. I am not too sure about that either.

Q. You are not?

A. No.

Q. Well, we will allow the Commission to draw their own conclusion on that. Will you please turn to the next page, Page 3 of Chapter II, Page 50 of the printed brief. Well now, you say there:"

" Even where a locality is served by more than one railway, there is a strong monopoly element in the movement of any particular shipment unless the point to which the shipment is going is also served by two railways. In the absence of some regulatory



device the public would be left largely at the mercy of railway management."

That again refers to the anterior period?

A. It refers to the present situation so far as the rail operation is concerned. You have this kind of situation, that Winnipeg is served by two railways but on a particular shipment from Winnipeg up to Carmen or Elm Creek or any local town there is only one railway goes out there. Consequently, the railway has the monopoly on shipments to and from that particular small town. Now, it is true there is truck competition on the type of traffic that the truck can handle. That is only a very small part of the traffic that comes out of those small western towns or goes into them.

Q. What do you think the outcome will be when the Trans-Canada Highway is put into operation so far as long haul traffic is concerned?

A. So far as Western Canada is concerned, I don't think it will make any great difference because the great bulk of the commodities that are shipped in and out of Western Canada are so heavy and so long-haul in their movement and there is no particular advantage in speed. The important thing is to get the commodities out of there and that kind of traffic, grain, meat products, coal, lumber, I don't see any possibility that the Trans-Canada will make any change in that at all.

Q. In your view then the bulk of the traffic which moves in the Prairie Provinces will continue to be moved by railway?

A. By far the great bulk of it. I am not saying all of it, but the great bulk of it yes.

Q. And that fact would have some bearing, would it not, in judging whether the Prairie regions are at





a disadvantage or an advantage rate-wise when endeavouring to survey their position?

A. What fact?

Q., The fact that the bulk of the traffic is low-rated, bulky traffic that has to move by railway as it does at the present time?

A. Yes, that would affect the considerations, yes.

Q. Now would you please go to Page 13 of the mimeographed brief in the same Chapter, II, Page 13 and 14 which would be Page 56, 57 and 58 of the printed brief. Page 14 under the heading: "The Board Should Act More Frequently on Its Own Initiative" and further on down that page:

"Under such circumstances it seems proper that the Board should act without waiting to be called upon, that it should advise all of the interested groups that the problem is now under its consideration, and should request them to state their case before it."

Under the present circumstances hasn't the Board got the power to do that?

A. I think it has probably, yes.

Q. Therefore the power being under the Act that should be sufficient or there should be no need to amend the Act in that respect?

A. The question is how the Board can be persuaded to take a different attitude on this. As to whether that calls for amendment of the Act is not in our sphere; it is probable they do have the power but they do not exercise it as much as we would want to see them exercise it and it may be that in order to create a new attitude there will have to be an amendment in the



statute.

Q. If the Board has powers present in the Act that is sufficient in so far as this authorization is concerned. As to whether or not it acts is another matter. That depends on the individuals that form the Board at the time?

A. Who form the Board and its staff, yes.

Q. And you will agree my point is if the Act is sufficient, it is not a matter of changing the Act but to meet your suggestion that any given Board may be active it might be necessary to change the Board from time to time rather than the Act?

A. Yes, that is a possibility.



THE CHAIRMAN: Can you give us instances of cases where the Board by a failure to act on its own initiative has brought about some undesirable condition of things?

A. Well, the one case that is particularly relevant, I think, is the failure to do anything to equalize class rates between the east and west.

Q. Equalize class rates?

A. Yes. It is a fairly specific rate, it is a rate you can see and compare the levels of in the two areas; and still the Board, in spite of having directives from the Dominion Cabinet to bring about equality, they have, I think, on two occasions had such directives and have come back with a decision that the present rates should stay where they are.

MR. O'DONNELL: For reasons which have been given.

A. For reasons which have been given, yes.

Q. Is it not a fact that over the years the Board has narrowed the spread between the class rates east and west very considerably, since 1904?

A. Between 1914 and 1921, I believe it was.

Q. Yes.

A. Since 1921 there has not been anything further done toward equalization of the class rates.

Q. But is it not a fact that the majority of the traffic does not move under class rates?

A. Yes, that is right.

Q. So why would it get down really to studying matters which to no small extent would be academic, would be questions of paper rates?

A. Well, to the extent that it is 5, 8, maybe in some cases 15 per cent of the traffic which is involved. Whether that is academic or not depends on some information





as to how much traffic actually is involved. It has been very difficult for us to find out exactly how much traffic is there.

Q. Would you think that in a region where the density of traffic was one-half what it was in some other region, there should be a differential in the rates?

A. Not on account of density of traffic alone without taking into account how density of traffic affects operating costs as well.

Q. Yes.

A. If it affects operating costs you get into a different situation.

Q. And would you not be prepared to admit that possibly the Board had taken all those factors into consideration in allowing such a relatively slight differential as you think exists today, to prevail through the years?

A. They did when they made the study in 1927, I believe it was, but they have made no further study since then, so far as I have been able to discover.

Q. Yes, but haven't the rates that move the traffic, commodity rates, been changed continuously since then?

A. Some of them, yes.

Q. A very considerable number of them?

A. I suppose a considerable number, yes, but there is a substantial number of them which have remained just where they were in the last two and a half years.

Q. During the war years they were, of course, frozen by virtue of the Wartime Prices and Trade Board order and nothing could be changed.

A. Nothing could be raised, that is right.

Q. The result of your suggestions here would be virtually that you would put the Board of Transport



Commissioners into the business of managing railways, if your recommendations were acted upon?

A. No, I don't think managing railways.

Q. Well, interfering with --

A. Putting further restrictions to some extent on the transport of the railways, yes.

Q. Do you consider that that is in the interests of trade generally, that the railways could be restricted in their endeavours, for instance, to put in a rate to assist a particular shipper or to move his traffic?

A. It depends whether the rate has the effect of causing some other shipper to have his rate increased, or whether it brings in some element of discrimination against some other shipper. You cannot answer in general terms.

Q. Any ultimate discrimination, I think you will agree, is sufficiently provided for by reason of the right of any other shipper to complain to the Board in cases of discrimination?

A. No.

Q. You don't think that?

A. No.

Q. Don't we agree that a shipper who is discriminated against may apply to the Board?

A. Under the definition of discrimination that has been laid down, yes.

Q. Unjust discrimination?

A. But that definition allows a substantial amount of discrimination to go ahead and to remain in effect.

Q. Don't you think that is a good thing?

A. No, not all of it.

Q. You would have the Board fettered in such a way that it could not look at that type of thing at all to



decide whether or not a rate unjustly discriminated against some other shipper?

A. That has to be taken into account, but there are factors besides that which are to be taken into account.

Q. Such as what?

A. The question of whether the rates in one area are being allowed to develop, a substantial number of them, below the level which is in effect in another area.

Q. But it could only be handled on the basis of the rate as it arose, each rate would have to be examined, would it not?

A. Each rate would have to be examined, yes.

Q. Now, under the present Act cannot each rate be examined at the present time?

A. Yes, but that is not enough; simply to examine each individual rate is one thing, but to stand back once in a while and look at the over-all effect of all the individual rates is a different thing. It may be that any one individual rate would be quite justified at its present level, but still over a period of time a substantial number of such rates would be brought in and a change directed at the whole group of them.

Q. That is exactly what happened in the 21 per cent case, the whole group was changed, but their decision that the whole group should be changed did not prevent each individual affected by the change having the right to come before the Board and complain.

A. No, both would have to be done.

Q. Are not both done at the present time?

A. No, too much attention on the individual rate and not enough attention to the over-all general level.





Q. Are not the over-all general level and the results which flow from it reviewed by the Board, or is not the Board at least in a position to review them at the end of each month in each calendar year?

A. It is in a position to do it, subject to having the necessary statistical information made available to it, which it has not got at the present time.

Q. Do you suggest that the Board cannot get that at the present time with the law as it stands?

A. Not with the law as it stands at the present time.

Q. What do you want?

A. I think (I am not too precise on this) I think they have the authority to get that sort of information.

Q. Yes.

A. In fact they have not been getting it.

Q. Now what makes you say that?

A. Because on numerous occasions during the rate cases there were questions of this sort which came up. The western provinces argued that the competitive rates in eastern Canada were lower than they were in western Canada. The railway witnesses and anyone else who was available were asked how much traffic was moving on competitive rates in eastern Canada, and the answer inevitably was, "We don't know." They were asked how much were those rates below the general level of rates in a different area, and the answer inevitably was, "We don't know."

Q. That is right.

A. Now the Board may have perfect authority to do a lot of things, but unless they know what the situation is on this kind of rate and know how much traffic is involved, they cannot do an effective job.



Q. Let me ask you this, if the Board thought this was a relevant matter can we agree that they have the power to exact the information?

A. That is so.

Q. What do you require to be done by way of change in the Railway Act?

A. I don't think we are asking for a change in the Railway Act unless it is necessary to bring about a change. I think they have the authority.

Q. Then it gets back to this, that your troubles would be solved by a change of attitude on the part of the Board for the time being, any board for the time being?

A. Most of these problems would.

Q. The Act is pretty effective and pretty complete.

A. I do not see how you can distinguish between the Act and the administration, precisely. It may be it can be done by a change in the transport practices followed under the existing Act. It may be, however, that you have got to change the Act in order to get that change of transport practice.

Q. Do you say there has to be a change in the Act?

A. I don't know.

Q. Just to come back to what I originally suggested to you would be the effect of your proposal in that part of the brief I have referred to, Chapter II, would not you virtually be placing the Board directly and indirectly in the managing of railways, if these various suggestions of yours were acted upon?

A. No.

Q. You would agree that would not be a proper thing to do?

A. What I would --



Q. Place the Board in the position of managing the railways?

A. No.

Q. Interfering with the everyday business judgment of the railways to conduct their affairs?

A. Well, now you have said two different things.

Q. You can answer two different things or one, as you please.

A. It is one thing to put the Board in the position of actively managing the railways. It is another thing to put the Board in a position to interfere with and restrict some of the undesirable things which might be brought in if you left them perfectly free to do everything on the basis of business judgment. What we are asking here is that the restrictions which are already in the Act -- you may think in terms of setting down two fences and leaving the railway free to move within that range. We are not asking that the fences should be brought a little closer together in some places, but we are asking that the Board should tell them exactly where they are to go.

Q. Have you any instance in mind where the Board has failed to do its full duty under the Act or to exercise the powers that are to be found in the Act?

A. I gave one illustration.

Q. That illustration you gave us was merely a case in which you asked for some information that the Board had not got apparently, and had not required, and you thought that was some reason for complaining of the Board's lack of knowledge?

A. Well, there are a good many cases of that sort. Now it is a question for argument as to whether they





should have or should not have done it, but certainly it is --

Q. If the Board with the accumulated experience it has through the years, any given board, decides it does not need a type of information, would you consider that was just cause for you to complain of their attitude?

A. In some cases, if they are talking at the time of issues that are of sufficient importance and saying, "This was all settled 25 years ago and nothing needs to be done about it." If there is sufficient demand for something to be done about it, then it is time for them --

Q. Do you suggest that is in fact the situation, that nothing has been done about it?

A. On some of these issues, yes.

Q. Just give me one or two examples of what you are talking about.

A. Equalization of class rates.

Q. In the circumstances that the class rates do not carry the bulk of the traffic, you think they should sit down and spend a lot of time examining them?

A. Yes.

Q. Any other?

A. The question of laying down some more adequate method of analyzing maintenance from the point of view of over-all public interest.

Q. There is provision now, is there not, for the Bureau of Transportation Economics to make these studies?

A. There is something in the latest judgment which came out since the brief was written which indicates that the Board has changed its attitude to some extent on that point.

Q. Which indicates that the Board has available to it the services of the Bureau of Transportation Economics.



You know how long it has been there available for the Board?

A. About the time that the rate cases started, about three years ago.

Q. That is your understanding?

A. Yes.

Q. And is your further understanding that through the years the Board has always had available to it information of that kind and had the opportunity to procure studies such as it might think necessary for themselves on that type of thing?

A. Well, it was free to obtain it, yes.

Q. Your complaint is they possibly did not obtain it?

A. Yes.

Q. And if it did not consider it needed that type of study at any given time, would you still think that was a case for complaint?

A. If it is an issue of sufficient importance, that is the point. I think it is a point that needs to be emphasized in this brief, that a specific part of it, of our complaint, is directed not against the statute and not against suggestions for changes in the statute. I think the changes in the statute might be relatively minor, but I think it is a very serious advocacy of the point of view that there needs to be a change in the method by which that statute is being administered, and that may mean that there will have to be changes in the statute to bring it about.

Q. Do you suggest that the present Board is not carrying out its full duties under the Act?

A. I am not saying anything about the present Board. I am saying about the Board over a period up to the present Board.



Q. Of course when you say at page 15 of Chapter II:

"The Board should therefore serve as an independent check upon railway developments, without waiting for the railways or anyone else to draw to its attention matters which seem prejudicial to some group or region," --

Have you anything in mind besides freight rates?

A. Well, there is the obvious case of safety standards which they are doing very well now. They are moving on their own initiative into that field in a way which seems to be quite satisfactory so far as we can see, and it is a question of taking that sort of attitude on other things.

COMMISSIONER ANGUS: Are there other things besides freight rates?

A. I don't think besides freight rates, because freight rates, if you interpret it broadly enough, includes the whole question of expenses and all the subjects of which we have made much study.

Q. But I think you said that the standard of service and so on was only to be gone into when there were freight rate provisions?

A. That is the way we conceive the thing.

THE CHAIRMAN: Well, is there anything left in these developments and matters that does not fall into the standard of service which is included under freight rates?

A. I cannot think of anything at the moment, no.

COMMISSIONER INNIS: On page 56 you say in one sentence:

". . . any significant number of interventions by the Dominion Cabinet would be unfortunate in that





they would destroy the usefulness of the Board as a maker of policy."

Then you refer later on in the same paragraph to the following:

". . .we urge that an avenue be left open for review of the situation by the highest policy-making body in the country."

A. Yes.

Q. I presume you mean Parliament.

A. Primarily Parliament through amendment to statute.

Q. Are you suggesting that the government should divest itself of policy to the Board such as you have in mind?

A. Well, no, the plan of organization which is envisaged in this submission is different from the present plan only in this respect, I think, that with the present plan you have the statute saying that rates shall be reasonable and just and the Board is then left to interpret that and to carry through whatever determinations it feels necessary, subject to the right of the Cabinet to vary or rescind its decisions. Now, the only change that we are suggesting is that where the statute is sufficiently broad, as, for example, in the case of reasonable and just, where the statute is so broad that there are several possible lines of policy all consistent with the Act, the change we are suggesting is that in those kind of cases the Cabinet by Order in Council should be able to direct the line of the policy. That is the only change we are suggesting from the present situation.

Q. You are not thinking of encroaching on the power or the position of Parliament or of the Government in relation to policy?

A. No.



MR. O'DONNELL: But if the Government was given that power, Mr. Moffat, would not they be getting directly into the management of the railways?

A. No, not necessarily.

Q. Well, they are not in the first instance, possibly, but assuming they have the power to interfere, they are getting back into the position they were before 1903 when there was no Board of Transport Commissioners or Board of Railway Commissioners.

A. Not by any means back to where they were in 1903, but back somewhat towards that direction, yes, probably so, but certainly not going back to the old situation.

Q. Not to the full extent, but it is a move in that direction.

A. It is a move back to the old situation, yes, to some extent.

Q. To some extent, yes, and a change of that kind, I suggest to you, in the powers and functions of the Board of Transport Commissioners would give it managing powers which it has hitherto repudiated though it has been urged to exercise them.

A. I do not know what powers it has repudiated.

Q. It has refused to go on with the consideration of development rates and that kind of thing.

A. We are not advocating that there should be anything put in about development rates for a particular industry. We are very strongly taking the opposite view, that there should be no advocacy of the establishment of rates to develop an industry in one or another area.

THE CHAIRMAN: What about the establishment of rates, did you say?

A. We think the Board should not establish rates to develop industry in one area or another area. We think



the Board's function should be primarily to prevent inequality of opportunity by an area, but not to bring in a rate to develop industry in a particular area.

MR. O'DONNELL: Then you do not agree in that respect with the position taken by some of the other provinces?

A. That is correct, yes.

Q. Notably the eastern provinces. A. Might be.

Q. Now if the Government interfered in matters in the way you suggest, although they would not possibly under your suggestions get back exactly to where they were in 1903, would not they become, would not the Government of Canada become involved in responsibility for the financial consequences of the railways?

A. They are involved in that now, yes, they are involved in that already.

Q. You would have them become even more involved under your scheme?

A. I do not think they can become any more involved than they are now. The railway has got to have enough money to carry on, that is all there is to it.

Q. Now on page 15 of Chapter II, which is page 58 of the printed brief, I think Dr. Angus already referred to the sentence:

"The Board should therefore serve as an independent check upon railway development without waiting for the railways. . ."

Now, cannot the Board today of its own motion intervene in matters where the railway has acted?

A. That is the same discussion we had a minute ago.

Q. And the same answer?

A. The same answer.





Q. You think the initiative on the part of the Board could be exercised more frequently?

A. Yes.

Q. Can you give us an instance again of where it ought to have been exercised and was not exercised? Because, you see, if the Board has a power and there is no complaint about its carrying out that power, you must leave those things as they are. It is not sufficient to say simply that they should do something more often. What is it they have not done?

A. The problem is this, sir, that the effects of a good many of these decisions are relatively small on a large group of small individuals who have no means of making their position known or even of assessing their position. I think of the example (it is not too important a case, but it is a fairly good example of the thing) of the mixing rule situation where the Board has on two or three occasions decided to retain the present mixing rule.

Q. They have heard the matter and decided it.

A. But they have heard those people who were big enough to come down to Ottawa and make representations, which were the railways and the big shippers; and there has been no real possibility of the small people who were being harmed by it making their views heard.

Q. Was it the Board's fault? How might it have been remedied?

A. What we are suggesting is that in this kind of case the Board should look upon itself more in the light of, if you like the expression, "people's defenders", which somebody has suggested to me.



THE CHAIRMAN: Q Doesn't the board travel around and hear all sorts of representations?

A If it had travelled around the problem of that sort of thing won't present itself, and therefore, no one present will come and say it.

Q. My difficulty is to discover how you can put something in the Act?

A. As I agreed with Mr. O'Donnell I don't see how you can put it in the Act.

Q. Is that one of the things the Dominion Government should do on its own initiative?

A. That might help. On the question of the mixing rule, not on any specific question.

Q. You give that as an incident?

A. Yes. The change would have to be --- there is one quotation here which is found in the discussions of the American State Regulatory Boards which seems to put the thing to a certain extent. I might put this on record. This is taken from "Public Utility Economics", Emerson P Schmidt, 1940, page 205. He is talking about the situation in various state regulatory boards.

"Under chairmanship of William A. Prendergast, the New York commission tended to view its function as that of gathering facts and rendering judgment. For the most part the commission waited for complaints from consumers and municipalities. It assumed that cities wished to prosecute their own cases, to hire their own experts and to appear as litigants. The procedure before the commission thus resembled that before a court. The Massachusetts and Wisconsin commissions have taken opposite view of their responsibilities and have aggressively tried to discover cases of



discriminatory and extortionate rates or inadequacy of services. The theory underlying the creation of utility commissions was that the utilities could be expected to protect their own interests but the customers could not; hence the commissions were designed to act as 'people's defenders' and to adopt a policy of continuous scrutiny of company policy attempting at all times to foresee the effects of policies and to advise and order changes in the public interest."

Q. It is state board?

A. Yes; these are primarily electric utilities.

COMMISSIONER INNIS: Q Do you think you can get a change of attitude by changing the personnel of boards?

A. We have had a great deal of discussion about that. It might help if there was a change of the board and a change of the senior staff. As to whether that by itself will bring it about we have not come to a conclusion.

THE CHAIRMAN: Q. You recount in one of your pages about competency, that it might do so and so. You definitely stress that if you have always a competent board, who decide whether the board decide whether the board is competent or incompetent? I cannot follow you when you say a competent board may be left, and if it is incompetent then the government should come in. You said a competent board should be left free. That is the explanation given all the way through your submission and has left me with the idea that you think the dominion government should be doing everything.

A. No, it certainly isn't the intention. The intention is that the dominion government should not interfere except on major issues.





Q. All the way through in your examination you seemed to be pursuing that idea that the board should be reduced to being a mere part of the government machinery, and the government responsible for its decisions?

A. No, I don't think I said reduced to a department of the government. I think what I said was take on more of the characteristics of a department of the government and less of the characteristics of a court.

Q. That would mean less independence?

A. Yes, that is right.

COMMISSIONER ANGUS: Q. If you emphasize the constant duty of the court to look for a basis and deal with it themselves, does that not to some extent defeat its own purpose because no one comes to the board with a complaint?

A. Yes.

CROSS EXAMINATION BY MR. O'DONNELL:

Q. You referred in reply to the Chairman as to the mixing rule where the board might have done other than what it did. Do you remember how the mixing rule became the mixing rule?

A. No, my impression of it was that it was primarily arranged in a case in which the parties who were present and represented were the large shippers and the largest wholesalers in Winnipeg and the railways, and where there was relatively inadequate presentation by the smaller wholesalers.

THE CHAIRMAN: Q. Whose fault was that? You have a retail dealers' association?

A. They to some extent tried to fill out. We have been trying to fill out for the last few years.

Q. Have they ever been heard by the board?

A. If it took the initiative.



Q. And that is the only question they have not dealt with in the past?

A. Yes, the only problem is to suggest local interest of some small shippers.

MR. O'DONNELL: Q. Do you remember being present in Winnipeg when this mixing rule was discussed?

A. Yes.

Q. And when the reference was made to the case wherein an arrangement was set out at great length?

A. Yes.

Q. And when, I think, the board ordered conferences to be held for many of the interested parties?

A. Which amounted to the railways and the big shippers

Q. It got into a dispute with the retailers on one side and the consumers on the other side?

A. Yes.

Q. The retailers were represented?

A. They may have been.

Q. After they had met and discussed things and the majority had decided they wanted it a certain way, the board confirmed their wishes?

A. Yes, and that is the sort of thing exactly that we have in mind here that should not be left to the people who are big enough ---

Q. Who suggests that?

A. We do.

Q. Did your government at that time take any position in the matter?

A. No.

Q. Did the majority of those who were represented in Winnipeg agree?

A. Yes.

Q. And there has been no complaint through the years



or requests for a change in the mixing rule until these hearings?

A. That comes back to the same thing. . The people who are harmed are not organized.

Q. - Your committee was set up three years ago and did not make any representations?

A. We did the first chance we got.

Q. Is it not a fact that at that time, or maybe you didn't know, that the railways published a uniform rule and that the board would not approve of it because of the many objections, that is the mixing rule, that came from the west?

A. Yes.

Q. As a result, the board ordered an inquiry and many conferences took place before it said that rule should be adopted as the westerners wanted it?

A. Yes.

Q At this time the board is inquiring into all these matters that are probably the subject matter for a general freight rate inquiry?

A. After the inquiry started, yes.

Q. And it was not until a request was made for such an inquiry that the board was authorized or instructed to go ahead with such an inquiry?

A. Not until it was authorized. It was simply instructed by the cabinet.

Q. There was a change in it from 1935?

A. No.

Q. Then again on page 15 the same chapter 52; that is 58 of the transcript. Have you at any time had an opportunity to agree that the board is free to do just what you suggested it might do in that paragraph?

A. Yes, it takes us back into the same thing.





Q. Section 51 reads:

"The Board may review, rescind, change, alter or vary any order or decision made by it, or may rehear any application before deciding it."

My suggestion to you is that it is free to do that now if they see fit?

THE CHAIRMAN: I think the suggestion is that it should be told by statute that it must act.

MR. O'DONNELL: Q. If I understand you, you would suggest that the board forget everything it has done, dispense with all its past experience and just start over again?

THE CHAIRMAN: That is not what I said.

THE WITNESS: That is not what I said.

MR. O'DONNELL: My submission, my lord, is that the Act as it stands now the board is free to do exactly that.

THE CHAIRMAN: Q. The point is, Mr. Moffatt, that you want the board legislated into the condition where it will have to do that?

A. That is right.

MR. O'DONNELL: Q. What you want is that the board should not look at its past decisions in deciding matters now?

A. It should not be bound by them.

Q. Of course, you and I do not agree.

A. I think section 51 does not bind the board at the present time.

Q. However, will you please turn to chapter 3. I have been looking at the 21<sup>st</sup> judgment, on page 62 of the printed copy. The discussion and the classification of rates between the prairie provinces and eastern Canada, and there is in the final paragraph of the decision in that



question:

"While in many instances on certain traffic moving between points on the prairies, the rates there are lower than on the same traffic in Ontario-Quebec, in other cases the reverse, of course, is true. The general rate level as a whole in Ontario-Quebec is below that in the prairies and the reasons and justification therefor have been set out at great length in various judgments of the Board, the fullest statement in this connection being contained in the judgment in the Western Rates Case<sup>1</sup> (17 C.R.C., p. 123)."

That is the 1914 decision.

"Lower rates in Eastern Canada are compelled by water competition, combination of water and motor truck competition, as well as rates established by the United States lines, particularly so far as export and import traffic is concerned."

That is the sort of thing they are doing. There are things to be changed in that. The Chairman goes on to say that the west has benefited from that?

A. Yes.

Q. Would you suggest that if the judgment until the 1st of August was correct, merely . by reason of their judgment in 1914, that it should not be regarded as such?

A. No, any person who is determined to be reasonable at all if the conditions are the same, will come to the same conclusion, but there are a lot of conditions and changes in the meantime.

Q. Why not return to the judgment and see if there is any change to be made? You don't suggest that the Board of Transport Commissioners do not take into consideration all conditions?



A. They do not seem to.

Q. That is your interpretation of the judgment. If you would go then to chapter 3, Mr. Moffatt; that is about page 59 of the printed case -- page 60, my lord. It says:

"The people of Canada have given to the Board the duty and responsibility of settling freight rates", and so on. Do you suggest that that is a correct statement in the law as it stands at the present time?

A. That is a correct statement.

Q. And the railways can provide any standard they choose?

A. It is a new judgment of the Board of Transport Commissioners which indicates that they confirm this position; that they have that authority.

Q. And the new judgment of the Board of Transport Commissioners and with the old judgment, I suggest has had exactly that power?

A. Yes, it probably has. It is the same problem.

Q. While you may have looked at it and examined the Act, you are not exactly sure of the power that is in the Act at the present time?

A. Yes, and secondly, regardless of what the power is we were asking for a change in the way in which it is administered. It is the same situation exactly.

Q. It gets back, possibly, as to changes in the board's personnel rather than the law?

A. That is possible.

Q. Then on that same page:

"The Board, I would say, has expedited the judgment of the railways."

On what do you base that sentence?

A. Read the rest of the sentence.





Q. I am merely asking upon what you are basing your judgment that the board expedited the judgments of the railways?

A. The evidence of that is the quotation in the next chapter as to how the maintenance problem was handled.

Q. Wouldn't it be proper to put it this way that the board has come to the conclusion in respect to these that the railway was correct and concurred in them? I want to refute your defence. I suggest to you that the board has, at all times, had the completest control over the railways in that respect as to the standard of service?

THE CHAIRMAN: The standard of service. It runs along there in the preceding paragraph about freight rates:

"The people of Canada have given to a Board the duty and responsibility to determine the level of freight rates. That duty cannot be carried out satisfactorily if the Board takes the attitude that the railways can provide whatever standard of service they choose."

What is the standard of service; does it mean the level of freight rates, Mr. Moffatt?

A. No.

Q. "The people of Canada have given to a Board the duty and responsibility to determine the level of freight rates." That is one thing, and then you go on to say:

"That duty cannot be carried out satisfactorily if the Board takes the attitude that the railways can provide whatever standard of services they choose, and that the Board's function is limited to determining the cost of that service and setting a level of freight rates which will meet that cost."

You say that is not satisfactory?



A. No, we are saying that that automatically must be the situation; that if that is not the situation then they are not ruling ---

Q Then you go on to say:

" . . . the Board has accepted the judgment of the railways as to the standard of service which is desirable for the country, and the people of Canada as a whole have been reasonably satisfied with that method of disposing of the matter."

A. No, I understood you to say "standard of service".

Q. I am just reading what your brief says.

A. You put in there something to the effect that that means the level of freight rates.

Q. What else can it mean?

"The people of Canada have given to a Board the duty and responsibility to determine the level of freight rates." That duty cannot be carried out satisfactorily if the Board takes the attitude that the railways can provide whatever standard of service they choose, and that the Board's function is limited to determining the cost of that service and setting a level of freight rates which will meet the cost."

Then you go on to say:

"In general, the Board has accepted the judgment of the railways as to the standard of service which is desirable for the country, and the people of Canada as a whole have been reasonably satisfied with that method of disposing of the matter."

A. That is a hypothetical situation which we are saying here would not be satisfactory.

Q. Tell us what you mean by "standard of service"?



You are talking about the level of freight rates and then you say when the railways provided a standard of service that the board's function is limited to determining the costs of that service?

A. We say that would not be satisfactory if that happened.

Q. You go on to say in the next paragraph:

"It is our view that the Board should take all such submissions into account and after consulting independent expert advice, should reach its own conclusions as to what is desirable from the viewpoint of the country as a whole."

A. We were saying that would not be satisfactory if that is all the Board could do was to look at the kind of railway service we were getting and add up the cost and calculate what percentage increase there should be in freight rates to pay for that. On the other hand where they are clear in most cases that will be approximately what the board will do and the people will be satisfied with it, but we do not think the board must be tied down.

Q. You say that the ultimate responsibility in this regard lies with the regulatory board, that is, with reference to the standard of service?

A. Both as to the level of freight rate and standard of service.

COMMISSIONER INNIS: Q. Is it your point that the two are tied together?

A. Yes, I don't think that has any difference from the present Act.

THE CHAIRMAN: Q. You go on to say:

"In practice we feel that in most cases it will still be true that the suggestions made by the railway companies as to the standard of





service will be reasonably acceptable to the public. . ."

A. Yes.

Q. ". . . but we feel that it is essential that the Board make its own investigations and come to independent decisions as to the advisability of setting higher freight rates in order to provide for a higher standard of service."

A. Yes.

(Page 9443 follows)



COMMISSIONER INNIS: You think it is different regions there which may have very low standards of service and might be brought up?

A. No, we were thinking in terms of the general over-all service.

THE CHAIRMAN: You think the standard might improve and that might entail a general increase in freight rates?

A. Yes, we had this discussion at some length the other day, the situation that might happen that the railways would come in and say "Now, we think that the public want a higher standard. We think that the shippers are asking for faster freights and more deliveries and that sort of thing. In order to do it, we will have to spend another \$15,000,000 a year and we asked that freight rates may be raised by \$15,000,000 a year in order to make it possible for us to do that". I don't think that would be satisfactory and I don't think the railways would say it was satisfactory either if the Board was to accept the figure and add \$15,000,000 on. I don't think that anyone would say that.

COMMISSIONER INNIS: Surely there is no such thing as a general standard of service. You get great varieties of service in the same region and between regions?

A. Oh yes.

Q. Now what kind of rule do you use for freight variety?

A. I think in practice what would have to be done would be to accept the present as a starting point and then look at changes from it.

Q. Regardless of specific regions?



A. Yes.

MR. O'DONNELL: You agree with me that the Board has under the Act at the present time the power to examine the standard of service and better it?

A. Yes.

Q. And it gets back to this again, that if there is a strong Board to your liking that it would do something that a weaker Board would not?

THE CHAIRMAN: And that that would come out in the freight rates.

MR. O'DONNELL: Or anywhere else.

A. Yes, our suggestion is it would show up at the time when there is a decision to be reached on the level of freight rates.

Q. And we have definitely agreed that under the Act as it stands the Board has a continuing control over the standard of service?

A. I think so.

Q. And therefore it is not a matter of your asking this Commission to make a recommendation that the Act should be changed in that respect because the Act is satisfactory?

A. Unless it should be necessary to change it in order to bring about this attitude, the change we have been talking about but the power seems to be there as it stands.

Q. Then the same thing comes to this, that while you say the Board has accepted the judgment of the railways you do not wish the inference to be assumed that they accept it blindly without examining them in the first instance?

A. Not in the 8 per cent judgment no. In the 8 per cent judgment ---





Q. Have you any evidence of <sup>the</sup> fact that it was mentioned?

A. The quotation here that is in the "Maintenance Chapter".

Q. This quotation you read a few minutes ago or pointed out?

A. No, this quotation is a lengthy quotation in the "Maintenance Chapter" from the 21 per cent Judgment.

Q. Whatever that quotation may say, other than that you have no evidence that they have ever refused to do their full duty under the Act?

A. I don't know of any specific case.

THE CHAIRMAN: I see that the next couple of paragraphs to that one dilate on the same subject:

"It is our view that the Board should take all such submissions into account and after consulting independent expert advice should reach its own conclusions as to what is desirable from the viewpoint of the country as a whole."  
Those words "independent expert advice" you told Mr. Evans meant "Their own staff"?

A. Yes, their own staff but whether that would be a rather small staff plus outside retained consultants from time to time would have to be a major issue.

Q. Are you talking now of something which the Board has . . . failed to do so far in the standard of service and that they should be permitted to do in the future?

A. Yes.

Q. I think you say there that what they had done has generally met with the approval of the people as a whole?



A. Yes, I was going to go on to say that in this case our complaint on these particular issues are not nearly so serious as they are in some other cases because we think what they have done is not so bad.

Q. They are more academic on this matter?

A. Yes.

MR. O'DONNELL: Have you any memory or do you know when the Bureau of Transport Economics was instituted, Mr. Moffat?

A. You asked me that a few minutes ago -- no.

Q. Do you know when Mr. Lessard, the present Deputy Minister of Transport was appointed as Transport Economist to the Board of Transport Commissioners?

A. No, my impression was about the time when the rate case started. I am not sure.

Q. My information and instructions are that it was about 1939?

A. I don't know.

Q. I think possibly in the discussion we have gone through some of the points I have noted. Page 9 of Chapter III, Mr. Moffat. That is Page 63 and 64. At the bottom of Page 8, Mr. Moffat, part of the sentence reads: "and that in considering the level of freight rates to be established it should take into consideration the possibility that further improvements in railway operating techniques and in railway equipment might materially reduce operating expenses and consequently increase the operating profits which would be secured from any given level of rates." I think I drew your attention the other day that the Board at the present time has a continuing control of exactly that type of thing, increasing any operating



profits and is in a position at the end of each month through the financial returns from the railways to see exactly what the operating profits are at the end of each month. You are aware of that, are you not?

A. They have the information but this paragraph has not anything to do with that subject, I don't think.

Q. Well, you are suggesting that they should take into consideration the railway operating techniques?

A. You are not going to have any changes in railway operating techniques which will affect the net revenue from one month to another month. It is a long slow process.

Q. Has not the Board before it from month to month any operating expenses that might be expended?

A. That is not the suggestion we make in --

Q. Would you agree that the Board at the present time has or is in a position to keep control through its actual statements of operating revenues?

A. Yes.

Q. And operating expenses?

A. They have the monthly information coming in.

Q. And operating income and all that is in the Board's possession month by month?

A. Yes.

Q. What more by way of a return than that would you suggest it should be?

A. That whole thing is discussed in the last chapter.

Q. Maybe I am anticipating the last chapter, but what do you suggest?

A. We are asking just this, that these monthly statements should be put in the same basic forms as





the net so that we can compare them, so that we can build up the first six months of this year with the last six months of last year and get an annual total.

Q. Isn't the point that the Railway Act should provide for those who administer it not for anyone who has a certain curiosity in its monthly statistics, monthly returns and details -- a level administration of the Railway Act and the people operating under the Railway Act. Isn't that all that is needed?

A. Well, there are some other people who are interested, namely, the users of this service who have some right to know something about what is going on so that it is not idle curiosity or something to that effect and there are some other people besides the railway and the Board who have some right to know and they are paying the rates and should know what is going on.

Q. If anyone were interested could not that person obtain the information from the Board?

A. No, not everything -- it is confidential information.

Q. Some of it, that is true, and that under the law you think is bad?

A. We do not think it is bad but we think there ought to be a lot more of it made available than has been in the past until these rate cases developed and until our technical people and our accountants particularly were able to extract the information.

Q. Well, the extraction is not very difficult, I don't think. You are in a position to get operating revenues month by month?

A. In a form which we cannot interpret very well.



Q. If you were on the Board of Transport Commissioners you could interpret it?

A. But that is the point; there are other people interested in it.

Q. You do not ask to have operating revenue as a privilege do you, nor operating expenses?

A. The breakdowns to some extent, we had difficulty getting the figures for operating revenues, expenses, and operating income.

Q. They are all available to you now, are they not?

A. The totals, yes. But not in enough detail to make a very intelligent study of them.

Q. Well, the detailed returns that are filed with the Dominion Bureau of Statistics each year are available to you?

A. They were better, yes.

Q. And are they not very extensive in their form?

A. Yes, and they were considerably better.

Q. Better than what?

A. Than what were available from other sources.

Q. Well, they have been available through the years, have they not, for anyone who chose to go to the Dominion Bureau of Statistics?

A. Yes, but you were discussing what was available through the Board.

Q. Well, through the Board there is a lot more available which the legislators in their wisdom thought fit to say would be for the use of the public. Is that not taken care of by the provisions of 384 (3):



"Any information furnished to the Board by any such return, or any evidence taken by the Board in connection therewith, shall not be open to the public or published, but shall be for the information of the Board only."

That is the paragraph you have in mind?

A. I do not have that specific paragraph in mind. What we had in mind was this kind of information should be available to those people who have a legitimate interest in it and we included in those people the people who are paying the freight rates because after all they are just as much concerned about it.

Q. Have you made any specific recommendations as to what you think should be available?

A. Yes, the last two pages of the second last chapter.

Q. And have you compared what is available to you under the law now with what you suggest should be available to you?

A. I think I told Mr. Evans that this information is all now available after our accounting people had made strenuous efforts to get it onto the record in the rate case. That is the accounting part of the information. Some of the other things are not available.

Q. Well, certain details which the legislators did not think were of sufficient importance to others than the Board of Transport Commissioners?

A. No but there are some of these other statistical tabulations which just do not exist.





MR. EVANS: I think the witness has left an inference that is quite unfair. He speaks of counsel having made strenuous efforts to get information. I would say this to the Commission, that as far as my company is concerned, any strenuous efforts had to do with the relevancy of the information to the issue at the time. There was one exception only. The only time there was any suggestion that information was confidential had to do with certain breakdowns of minor totals of Other Income activities which had nothing to do with railway operations. Apart from that the sole position taken was as to the relevancy of the particular matter for a particular issue. I think that ought to be said.

THE WITNESS: That is perfectly true, but that was not what I had in mind. The problems for the strenuous efforts that came up were these. Our accountants had certain totals. In order intelligently to ask questions and intelligently to request information, they had to spend days and days trying to visualize what was going on here and they decided what questions they should ask. The information came, when they asked the questions, as Mr. Evans said, without too much trouble. There was some argument as to relevancy in some cases, but the real problem we do not know even now. Now to be able to ask intelligent questions at this time, our people had to go through a great amount of work and spend a great deal of time before they were in a position --

THE CHAIRMAN: Will you tell us what you are suggesting now?

A. What we are suggesting is given in --

Q. In your brief?

A. Yes, in the last two pages.

MR. O'DONNELL: You say you have that at the



present time?

A. Yes. It is the last two pages of Chapter XI.

MR. SHEPARD: It is page 144, Mr. Chairman, at the bottom.

MR. O'DONNELL: And you say you have that now?

A. The accounting part of it we have, yes, not some of the statistical part.

THE CHAIRMAN: How much at the foot of that page should the annual report contain?

A. There are eight items listed there.

Q. You say: "Reveal as fully as possible the results of railway operations during the period. . ."

MR. O'DONNELL: As to the very last sentence of that part of Chapter XI, page 14, while we are at it, you say that such monthly reports as are made should follow the same pattern as the annual report?

A. Yes.

Q. In other words, you want the monthly reports that are made at the present time to be changed to suit your particular way of looking at matters?

A. Not to suit our particular view. So long as they are the same as the annual, so that we can compare them from time to time, that is satisfactory with us.

Q. That is, another set of reports regarding costs, you think they should be made up in that form you would like to have them made up, rather than the form in which they are at the present time?

A. Regardless of cost?

Q. Regardless of cost and time and bother in making them up?

A. No, the fundamental problem still remains that monthly reports are not any use unless they are comparable with the annual, so that you can compare them and see



where you are going.

Q. I suggest that is what the Board does every month. Now, at page 9, again, of Chapter III, which is page 64, of the printed brief, you refer there to the use of labour, the question of the efficient use of railway resources not being limited to the use of plant and rolling stock but also applying to the use of labour as well. Then you go on further down to say that many people who are not familiar with railway operating conditions have formed the impression that the duplication of functions amongst the railway employees is not a limited situation in which safety is involved. Then you make some suggestion that a major study by highly qualified staff should be made of this matter.

A. I don't think we suggested We think it would be necessary if anybody was going to try to assess the exact consequences of it.

Q. But are not the railways at all times endeavouring to restrict duplications of the kind you refer to? Is not that management's function?

A. That is management's function, yes, but there are cases where management might find they need a few allies and helpers.

Q. Are not there some other cases where the management feels it should not have to do it and where it tests the union's line upon it before the Transport Commissioners because it fills exactly that need?

A. Yes.

THE CHAIRMAN: What need?

MR. O'DONNELL: The matter of the need for extra men on repair crews and section crews and things of that kind, my lord. The railways were contesting with the unions, as I understand it, that further





employees should be put on certain maintenance work, and having been unable to agree with the union, the matter was made the subject of a complaint by the union to the Board, and the Board were two weeks sitting and listening to exactly that type of thing. I suggest to you, Mr. Moffat, that that is part of management's function, and it is a thing adequately supervised in the circumstances and it is all under the control of the Board of Transport Commissioners.

THE CHAIRMAN: What this brief seems to recommend is that a major study by highly qualified staff would be necessary to determine whether such duplications are common and to assess the savings in operating expenses which might result if such duplications were eliminated. That is what you think ought to be done?

A. No, there was no suggestion that it should be done.

Q. Why do you raise it at all, then?

A. Well, there are in this section three related problems, all of which we feel should be taken into account.

Q. You do recommend that the problems should receive attention from the Board and so on? And as to this major study by highly qualified staff which should be embarked upon as to whether there were duplications, you say it would entail that. Is that not right? That is what you say.

A. Yes, I think maybe that implication is in there. There certainly was not any intention of asking for a major study of the thing. The intention was to say that to know precisely the significance of this thing would require a major study, but the intention was simply to suggest that there are these factors and there are three



of them related together there: the question of the efficient use of material and equipment, the question of the efficient use of labour, the question of the efficient use of existing plant and elimination of duplication between the railways, that those three should all be considered in approximately the same category.

Q. You are suggesting they are not being properly considered now, are you?

A. Yes, to some extent.

MR. O'DONNELL: Do you conclude then by saying in the last sentence:

"It is our view that your Commission should recommend that the problem should receive attention from the Board of Transport Commissioners."

I ask you if in the light of what we both know as to the case, the very case for instance which is proceeding during the past two weeks, I ask you whether the Board of Transport Commissioners is not giving adequate attention to that?

A. I think they are giving attention to it, but whether it is adequate or not you cannot judge from one page.

Q. Just above that you suggest a major study by a staff of highly qualified people. What more highly qualified people would you suggest are necessary than those who constitute the Board of Transport Commissioners and their experts?

MR. SHEPARD: Mr. Moffat has just told the Commission, I think, that that perhaps is a wrong inference to be drawn, and that he did not intend to recommend that a study be undertaken in this regard.

THE CHAIRMAN: But he does recommend that the problem should receive attention from the Board of Transport Commissioners, and he makes that recommendation after



saying that it would require a major study by a highly qualified staff. Does that mean another staff or the Board's present staff?

A. Well, certainly the talk was the Board's present staff would look over the situation. As Mr. O'Donnell says, they have been considering a case specifically on that point in the last couple of weeks.

MR. O'DONNELL: Can I put it this way? If the Board is doing exactly that at the present time, you would agree that the Board is acting and has the staff that is necessary to do it?

A. Well, I put it this way, that we have no suggestion that they should add to their staff in order to do that.

COMMISSIONER ANGUS: By a major study, do you mean a survey would be made of all labour situations in all railways, which might be done by an efficiency expert to go and see whether any saving could be made there and then, <sup>and</sup> if so, that would be taken into account, whether it would be made effective without a strike or not?

A. Oh, no, not the last part of your question.

Q. You only say, to determine whether such duplications are common and to assess the saving that could be made. You do not ask them to assess the cost of the industrial warfare necessary to effect the savings?

A. No, there was no suggestion, certainly, as I said a minute ago, no suggestion of that sort. That is put in as part of a paragraph in which the first point is made that there are a substantial number of people outside the railways who have the impression that this is a bad situation. Then we say, and it seems obvious, that nobody can really know it is a bad situation without a





big study.

THE CHAIRMAN: How do you know that there are this number of people who think there are duplications in the railway employees, that is what you are saying?

A. I think among the uninformed general public that impression is fairly broad, yes.

MR. O'DONNELL: Should the Commission pay attention to what the law is? Should the Board which has been established to take care of that very question have regard to what many persons who are not familiar with railway operations have formed an impression about?

THE CHAIRMAN: The matter is of importance here particularly because you ask the Commission to make a recommendation to the Board, you see. That is why we are interested in knowing just what you want us to recommend and why you want us to recommend it -- because the Board is not doing its duty in that respect now, or what is the case? Mr. O'Donnell tells us the Board has very recently been enquiring into some of those matters, at least. That is what you want us to recommend to the Board. Perhaps you can revise that a bit?

A. It goes back to the same sort of thing.

Q. Because, you see, if we just take this according to the way you word it, you recommend that the Board should have a major study made by a highly qualified staff, and so on, in order to see whether or not there are unnecessary duplications. They might find that the Board has attended to those things, and that the premises do not exist. You say that a vast number of people think that there is unwarranted duplication now. Does that justify entering into this major study?

A. No, I do not think so, and certainly there is no intention of suggesting that your Commission should do





anything of that sort.

Q. Well, you asked us that we should recommend that the Board do something. (No answer)

MR. O'DONNELL: This Commission, then, is not asked by you -- and you are making the presentation of the brief, presenting the brief here, to do anything in connection with those words we are discussing now?

A. Other than what it says there, to protect against any - - - .

THE CHAIRMAN: Tell me this, Mr. Moffat, have you any amendment to the Railway Act to suggest?

A. On that point?

Q. I beg your pardon?

A. Not on that point, no.

Q. Therefore you think the Board is already fully equipped, as far as the Act is concerned, to do this?

A. So far as the Act is concerned, yes, they have full authority to take these kind of things into account.

MR. O'DONNELL: And we have the evidence that they are doing exactly that?

A. Yes.

Q. And that satisfied you, unless you wish to ask the Commission to recommend something else?

A. It satisfied us on that point, yes.

MR. SHEPARD: Except that the only evidence is of this one case which came up for hearing within the last two weeks after Mr. Moffat's brief was prepared, and the judgment is not out yet, and we have not been sitting in on the hearings. I think it is a little bit of a sweeping suggestion for my friend Mr. O'Donnell to say that now we have had this one case on the question of the number of section gangs, are you satisfied with



with everything the Board is doing on this point?

MR. O'DONNELL: I merely mentioned the one case as being illustrative. It is coincidental that it happened to come up at this time. There is no connection whatever between this Commission's proceedings and the case which happened to take place in the last week or two. It is merely illustrative of what the Board can do, and I think Mr. Moffat and I are agreed that in that line the Board can do these things if they so choose?

A. Yes.

Q. And what do you wish this Commission to recommend by way of changes in the law?

A. Nothing by way of changes in the law.

COMMISSIONER INNIS: Are <sup>we</sup> to assume the railways would not welcome a total study of the duplications?

MR. O'DONNELL: The railways would be very glad, Dr. Innis, to have a study made so far as that is concerned. We have no objection, sir. I was talking to the point that under the law as it stands now, the Board of Transport Commissioners can do that, but the railways would not in any way object to a most detailed study being made.

THE CHAIRMAN: Is the case you are referring to now one between the labour unions and the railways?

MR. O'DONNELL: Yes, it is. The railways took the position that what the unions were asking for was unreasonable, and unnecessary.

THE CHAIRMAN: In the way of --?

MR. O'DONNELL: Extra men being added to work crews, section crews. I am not as familiar with the whole question as I should be, but that, generally speaking, is the gist of the case.



COMMISSIONER ANGUS: It is a little easier to resist a demand of that sort than to make a survey of the whole field with a view to reducing the number of men employed?

A. Yes, very definitely.

MR. O'DONNELL: The labour unions are there at all times, there is no doubt about that, but I am quite sure that the railways would not have the slightest objection to a very detailed examination being made of that.

MR. EVANS: We have taken the position, of course, that when these investigations are being made, they should not hold up rate cases indefinitely. These should take place at other times when the railways' finances are taken care of.

THE WITNESS: Yes.

THE CHAIRMAN: The study recommended by you is one by highly qualified staff, a staff, I suppose, that would take quite a considerable time?

MR. EVANS: That is our point.

THE CHAIRMAN: In making the study and reporting to the Board?

MR. EVANS: That is our difficulty, that is why we say they should not hold up rate findings while these studies are made. Apart from that we have not the slightest objection to any study of any kind being made by the Board..

THE CHAIRMAN: I should have put arguments to the Board in that case.

MR. EVANS: There have been arguments of that kind made to the Board as to whether the Board should undertake these broad studies during the course of rate





and references have been made to the provisions in the Interstate Commerce Act which said that the Board should have precedence in these cases. I just wanted to clarify that in response to Dr. Innis' question.

THE CHAIRMAN: Very well, go on, Mr. O'Donnell.

MR. O'DONNELL: Page 102 in the printed brief, my lord. You have reference there to the improvement fund which you suggest might be provided.. I just wondered whether you would be good enough to elaborate it slightly more than you say concerning the manner in which that fund was to be constituted. Is it your idea that there should be one fund for each railroad or one fund for all railroads?

A. Well, Mr. O'Donnell, I said, I think two or three times the other day, that we were not advocating this fund as such. What we had in mind in putting in this suggestion is that it is probable that attention will have to be given to something a little bit unorthodox in the way of financing railway improvements from here on, and that attention will have to be directed towards the possibility of financing them by means other than those which are available to corporations generally. As to this particular suggestion of a fund, as to whether it should be split into one fund or two funds, that kind of thing, no, we are not advocating anything.

(Page 9462 follows)



Q. That is just something that you suggest the Commission might consider?

A. That was something of the sort, yes.

Q. And you have not any detailed plan or scheme of working it out or have you followed it through other than to think it might be a good idea to think about?

A. That is right.

Q. And you approached it particularly from the point of view that such a setup would escape the liability for income tax?

A. That is one of the things.

Q. Notwithstanding that it would still have to come out of earnings?

Q. Well, you get into the nice degree of what is earnings.

Q. At any event, it would arise as to the question of freight rates? And in so far as that type of thing might attract income tax you have thought that by labelling it an improvement fund and by working out certain details you might be able to establish a situation whereby those particular monies would avoid income tax and be available in toto for railway improvement?

A. That is one of the considerations.

THE CHAIRMAN: It would have to be sufficient if the Railway Act said so. You give this, as you say yourself, as another method of raising capital?

A. Yes, and fundamentally we are not advocating this fund. Fundamentally we are saying that this is one of the most important problems and that something a little bit out of the ordinary is going to have to be considered.



COMMISSIONER ANGUS: If one railway is going to be used as a yardstick, have you given consideration as to whether it is advisable to have an income tax at all on its railway earnings? The rate would be put a little lower if there were no income tax and if there <sup>were</sup> lower rates, well you would not have to raise the income by a dollar to give sixty-five cents?

A. We have given a good deal of consideration to that very point.

Q. With what result?

A. That we do not see how at the present time anyone could seriously suggest tax exemption for one private corporation.

THE CHAIRMAN: You mean the Canadian Pacific Railway Company?

A. Yes, that is the difficulty.

COMMISSIONER ANGUS: As the lawyers say: "sue one another"?

A. We have given a great deal of consideration to that and the conclusion we came to is that we should not take the responsibility of advocating anything of that sort.

MR. EVANS: Still complaining all the time, of course, of the amount of surplus that is required to overcome it.

A. I don't think the word is "complaining" Mr. Evans -- to point out the fact that that is there.

Q. It is certainly a very important factor to be taken into account here, that approximately \$50,000,000 of any money might be made available and that that goes to income tax in the case of the Canadian Pacific Railway and it does not in the case of the Canadian National.



MR. O'DONNELL: Will you just come to Chapter IX, Mr. Moffat. In that quotation at the bottom "It is our submission" and so on "That it should be a fundamental principle of Canadian railway freight structure". Then in that quotation you say:"

"3. It is our submission that it should be a fundamental principle of the Canadian railway freight structure, that freight rates charged for the same traffic over the same distance should be equal except where costs, competition, the needs of national development or other circumstances require some deviation from that principle."

Now what do those words "other circumstances" take in?

A. Well, I think in that case I can only say this. That was written early in this game before we had thought our way through it.

Q. Would you like to delete those words now?

A. If we could do it.

Q. What do you think was taken in by the "needs of national development"?

A. There are now one or two special types of circumstances where that comes in. It is a sort of, one might call "market competition". I elaborated this briefly the other day when I came to it in chief. There are a few situations where, in order to get traffic from Canadian ports or to keep traffic on Canadian lines, the rate has to be set at a level that will meet the competition with American ports;-- situations of that sort where you have American competition to a port or something of that sort,--national development but certainly we are taking quite strongly





the position that we do not think national development should be interpreted as asking that freight rates should be set low to develop industry in this or that or to give a subsidy to one or another.

Q. You are asking that wheat, for instance, could be set low so that it could go through a certain port and that sort of thing?

A. No, because you are up against the considerations that fundamentally fall into competition.

Q. You are meeting a competitive situation for the purpose of national development in the area from which wheat might come?

A. Not so much where wheat might come from but where it might go.

Q. Then, why should you preclude another area from similar treatment in theory?

A. I don't think the thing can be pushed too far without the consideration of the general criteria that go with competitive rates, that once you get into the situation where in order to put traffic that way the rate has to be so low, that it does not meet out-of-pocket costs, then I would not be prepared to advocate that it should be done on rates only.

Q. Your suggestion is something along the lines of the statement made by the Duncan Commission in connection with national development through the fostering of trade and commerce through the use of rates?

A. A few of those situations should be taken into account where they fall reasonably close to the competitive criteria that we set up.

Q. Now, who is going to determine what "reasonably close to the present criteria" is?



A. Well, that is where you get into the administrative judgment from day to day as you go along.

Q. While we are on that, your suggestion concerning the enlargement of the powers or restriction of the powers, depending on which way you want to look at<sup>it</sup> of the Board of Transport Commissioners, would constitute the Board of Transport Commissioners as a policy-making body to some extent?

A. I think it already is.

Q. And you wish to have something further put into the statute?

A. Well, we are back to the same argument again as to whether a statute is to be changed or not.

Q. Without discussing it would you agree with me that the Act might be sufficient but the personnel of the Board might have to be changed from time to time depending who might be approaching the Board with the trouble?

A. Or the attitude they might take towards their administrative practice.

THE CHAIRMAN: The instance you have been using as the measure of national development; the Maritime Freight Rates Act is not necessarily so much a Board as an Act of Parliament?

A. It is not the Maritime Freight Rates Act as such; it is the rate from Halifax and St. John on export commodities.

Q. You are developing that by national development and you get that to meet competition from United States ports?

A. Yes.



Q. What then is the meaning you give to the word "competition" itself?

A. That is something that is discussed at considerable length later on in this chapter.

Q. You say rates should be equal except where costs, competition, and the needs of national development require otherwise. Now you say "the needs of national development" mean competition of a sort. I also would like to know what the other word "competition" means?

A. The other word is used for competition with other forms of transport as distinguished from competition with other markets or other ports.

Q. Those things are already in practice?

A. Yes.

- - - The Commission adjourned at 4:45 p.m. to meet again on Tuesday, November 22, 1949, at 10:30 a.m.

- - -





A.R.

*Canada*  
ROYAL COMMISSION

~~REPORT~~ ON  
TRANSPORTATION

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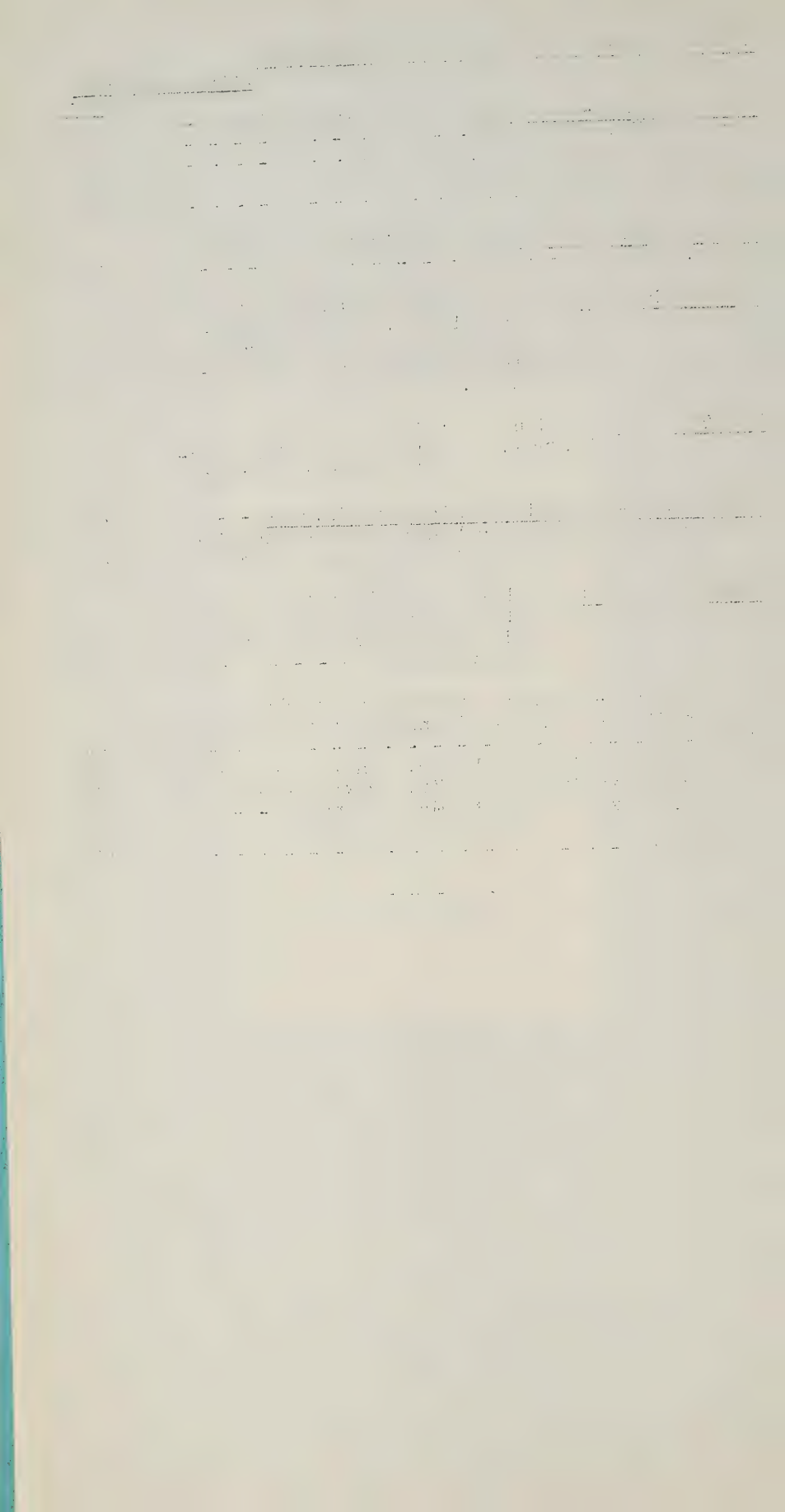
Professor H.A. Innis

ROYAL COMMISSION ON TRANSPORTATION

Index Page #68

|                                                                                                                                              | Page |
|----------------------------------------------------------------------------------------------------------------------------------------------|------|
| R. E. MOFFAT - Recalled. Cross examination resumed by Mr. O'Donnell - - - - -                                                                | 9468 |
| Examination by Mr. Covert - - - - -                                                                                                          | 9541 |
| Noon adjournment - - - - -                                                                                                                   | 9567 |
| R. E. MOFFAT - Recalled. Examination resumed by Mr. Covert - - - - -                                                                         | 9570 |
| <u>EXHIBIT No.123:</u> Copy of mimeographed letter signed by Mr. Moffat re proposed increases in freight rates, Eastern Canada to Vancouver. |      |
| <u>EXHIBIT 124:</u> Filed by Mr.Hume. Articles of Association, Canadian Automotive Transportation                                            |      |
| <u>JOHN MAGEE - Called. Examined by Mr.Hume - -</u>                                                                                          | 9606 |
| Presented brief on behalf of the Canadian Automotive Transportation Association                                                              | 9606 |
| <u>EXHIBIT No.126:</u> Folder of photographs illustrating the many new and unique services of truck transportation - - - - -                 | 9623 |
| JACK TAYLOR. - Called. Examined by Mr.Hume. (Re Canadian Automotive Transportation Association) - - - - -                                    | 9642 |
| Cross examination by Mr. Sinclair - - -                                                                                                      | 9702 |
| Cross examination by Mr. Frawley - - -                                                                                                       | 9702 |
| Cross examination by Mr. O'Donnell - - -                                                                                                     | 9704 |
| Adjournment - - - - -                                                                                                                        | 9707 |

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ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO,  
TUESDAY,  
NOVEMBER 22nd, 1949.

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D. - CHAIRMAN

HAROLD ADAMS INNIS - COMMISSIONER

HENRY FORBES ANGUS - COMMISSIONER

- - - - -

G. R. Hunter,  
Secretary.

P.L.Belcourt,  
Asst.Secretary.

- - - - -

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                                      } Transportation Commission of  
                                      } the Maritime Board of Trade.  
                                      } Province of New Brunswick

F.R.Hume                            }  
M.L.Rapoport                        } Canadian Automotive Trans-  
                                      } portation Association

R.Kerr                                ) Board of Transport Commissioners

W.E.Darby, K.C.                    ) Province of Prince Edward Island.

- - - - -





M O R N I N G   S E S S I O N

R. E. MOFFAT - Recalled.

CROSS EXAMINATION RESUMED BY MR. O'DONNELL:

THE CHAIRMAN: Very well, Mr. O'Donnell.

MR. O'DONNELL: Mr. Moffat, will you please turn to page 2 of chapter IX which is page 114 in the printed brief, my lord, right in the middle of the page, where you say: -

"Our submission is that each discriminatory feature should be examined in the light of present circumstances".

THE CHAIRMAN: Hold on a minute. Yes. I have it.

MR. O'DONNELL: And so on. Now, the Board at the present time have the power to do that very thing, haven't they, under the law?

A. I am <sup>not</sup> too sure of that. They have the power to make a review but their statute simply directs them to set rates which are reasonable and just and to eliminate unjust discrimination, and with the history of the decisions on the interpretation of what is unjust discrimination, it is very doubtful whether that could be done without an amendment to the statute.

Q. In any event by virtue of the freight rates inquiry at the present time, they are doing that?

A. No.

Q. You say that they are not?

A. No, because they are still operating under the statute which simply directs them to eliminate unjust discrimination.





CHAIRMAN: The Statute , Section 314, under which I suppose the direction is governed, says that there shall be equality in the rates.

A. As I recall it --

Q. Yes, that is one of the most important parts of the Statute.

MR. O'DONNELL: "All toll shall always under substantially similar circumstances and conditions in respect of all traffic of the same description, and carried in or upon the like kind of cars or conveyances, lpassing over the same line or route , be charged equally to all persons and at the same rates, whether by weight mileage or otherwise," and so on.

A. Is that that clause in that section which restricts it to passing over the same line or route? The Alberta brief has discussed that much more fully than we have. They were pointing out that the effect of that is to restrict it to a requirement of equality within the same area, but it does not make a broad requirement that there should be equality right across the country .

Q. Well, it must be under similar circumstances and conditions at all times. Do you mean whether equality exists or not? You must compare like with like

A. Yes, you have to compare like and like but still not to restrict it to the same line. You have like and like in the East and West and as far as first class is concerned but still the board has on many occasions found that it is perfectly justifiable to have different rates for first class commodities in different parts of Canada.

COMMISSIONER ANGUS: Are you thinking of the clause "No toll shall be charged which unjustly discriminates between different localities"?



A. There is that section, that is a separate section, but the definition of "unjust" there is one that is not too precise.

MR. O'DONNELL: Have you any recommendation to make in connection with a proposed change in the law?

Q. Not specifically, no, only as to the sort of policy that should be set out in it, but no specific draft of a suggested change?

Q. Will you please turn to page 3 of chapter IX which is page 115 of the printed brief, just in the concluding sentence of the paragraph above the heading "Criteria for Departure from Equality". You say in part there: "

" .... we are concerned with the fact that higher rates have been charged in the West in an effort to recoup ...."

and so on. In making that statement, I take it you exclude any consideration whatever of the grain rates?

A. No.

THE CHAIRMAN: Pardon me, where is that statement?

MR. O'DONNELL: It is the bottom of page 114, my lord.

THE WITNESS: We are not excluding grain rates at all.

THE CHAIRMAN: Is it about competitive rates?

MR. O'DONNELL: No, my lord, it is just the sentence at the bottom of page 114. I was referring to that part which says that higher rates have been charged in the West.

THE CHAIRMAN: Mr. O'Donnell, are you giving me the right page? The last paragraph on 114 is about competitive rates:



"Of particular importance of the growth of the present unsatisfactory rate structure ...."

MR. O'DONNELL: That is the one, it is the last part of the last sentence there, my lord.

MR. CHAIRMAN: " Our criticism is directed partly to the level of those rates ... ", that is, competitive rates, " as such but more fundamentally we are concerned with the fact that higher rates have been charged in the West in an effort to recoup the Railways for revenue loss in areas where competitive rates are numerous".

MR. O'DONNELL: Yes, in part.

THE CHAIRMAN: What is your question?

MR. O'DONNELL: I asked the witness if, in making that statement, consideration had been given to the rates covering the carriage of grain and grain products.

THE CHAIRMAN: In The Crow's Nest Pass rates?

MR. O'DONNELL: Yes.

THE WITNESS: Well, yes, the answer is that attention is directed there towards the total return in Western Canada and in Eastern Canada, and the grain traffic is an important part in Western Canada, and it is reflected of course in the total returns.

MR. O'DONNELL: The rates given you in Eastern Canada in expenditures on the C.N.R. are far higher, are they not, than in Western Canada.

A. Yes, I think I told Mr. Evans the other day, I am not too familiar with the C.N.R. aspect of that.

Q. Could not we agree that the C.N.R. is a fairly important factor in considering any differences in the level of rates as between East and West, then?

A. Yes, but there was a discussion of that, Mr. O'Donnell, in the section in which we discussed the place







of the C.N.R.

THE CHAIRMAN: It is the section in which you discussed what?

A. The C.N.R., in which we said it was our view that the C.N.R., the individual aspects of its operations was of importance, but we did not see how the rate level could be set on the basis of taking the total result of the C.N.R., in view of several circumstances which were mentioned in that section.

MR. O'DONNELL: Would you agree with this submission or proposition that a region whose traffic consisted of a high percentage of low grade traffic moving on very low rates, and a small percentage of high grade traffic, ought to expect to be charged a relatively higher rate on the small percentage of high grade traffic than is allowed, or whether the high and low grade traffic should maintain an even balance?

A. No, I don't think that necessarily follows unless the cost of operating is also taken into account. It might be that that would be the situation which would be justified, but it is quite conceivable that you would have low rate traffic, very profitable traffic, for which operating conditions are such that the cost of handling that traffic is ---- .

Q. Would you agree that if the rates on low grade traffic are not remunerative, the railways must either make up the losses by steeper rates on freight in the higher classifications, or look to the Public Treasury --

A. Yes, if they are unremunerative.

MR. O'DONNELL: In support of this point, my lord, it occurs to me that we might put on the record an extract from the Sirois Report which will be found in volume 2



at page 193 where there is quite a discussion concerning grain rates. The position taken before the Sirois Commission by the Province of Manitoba and also the general freight rate inquiries, is set out. The Commissioners, having reviewed the situation concerning these rates, go on to say this:

"The record, thus summarized, leaves the question as to the profitability or otherwise of the grain rates undecided."

THE CHAIRMAN: Would you read that again?

MR. HUME: Yes, my lord. Page 193:

"The record, thus summarized, leaves the question as to the profitability or otherwise of the grain rates undecided. This is not desirable if the charge of unprofitability is to be constantly made in discussions dealing either with the general railway problem or with the consideration of charges of discrimination as between regions. An examination of these conditions and a definite finding would be a contribution of value to the processes of adjustment; but, upon the evidence available to us, we cannot make such a finding."

Then at page 199 the Commissioners say in part:

"This Commission makes no specific recommendation but it suggests, having regard to the length of time that has elapsed since the last general inquiry ---"

THE CHAIRMAN: Pardon me, in regard to what? What would it suggest that in regard to?

MR. HUME: "This Commission makes no specific

the first of these is the fact that the evidence is not sufficient to establish the existence of a causal connection between the two variables.

The second of these is the fact that the evidence is not sufficient to establish the existence of a causal connection between the two variables.

The third of these is the fact that the evidence is not sufficient to establish the existence of a causal connection between the two variables.

The fourth of these is the fact that the evidence is not sufficient to establish the existence of a causal connection between the two variables.

The fifth of these is the fact that the evidence is not sufficient to establish the existence of a causal connection between the two variables.

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The eleventh of these is the fact that the evidence is not sufficient to establish the existence of a causal connection between the two variables.

The twelfth of these is the fact that the evidence is not sufficient to establish the existence of a causal connection between the two variables.

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The fifteenth of these is the fact that the evidence is not sufficient to establish the existence of a causal connection between the two variables.

The sixteenth of these is the fact that the evidence is not sufficient to establish the existence of a causal connection between the two variables.

The seventeenth of these is the fact that the evidence is not sufficient to establish the existence of a causal connection between the two variables.

The eighteenth of these is the fact that the evidence is not sufficient to establish the existence of a causal connection between the two variables.

recommendation but it suggests, having regard to the length of time that has elapsed since the last general inquiry, the change in conditions due to the increased range and effectiveness of alternative means of transportation and the increasing signs of a revival of regional questioning as to the justice of the existing structure, that the present might be an opportune time to have a review of the railway freight rate structure on a Dominion-wide scale".

THE CHAIRMAN: Well then, this Order in Council concerning which you have been questioning Mr. Moffat - I haven't the number of it

THE WITNESS: The Order on the equalization of freight rates - 4678, Mr. O'Donnell.

MR. O'DONNELL: Yes.

THE CHAIRMAN: This Order in Council that you referred to is to go over the ground, is it, that the Sirois Commission suggests?





MR. O'DONNELL: Is it not P.C. 1487?

THE CHAIRMAN: I believe they both cover the same ground. Don't they cover the same ground that the Sirois Commission says should be covered, or is it different?

MR. O'DONNELL: I would think that P.C.---

THE CHAIRMAN: Whatever number it is, this Order-in-Council has to be subject to statutory conditions as to grain rates. Did the Sirois Commission have in mind building up a structure which would not be bound by this statute.

MR. O'DONNELL: I think the Sirois Commission was dealing in grain rates, and it was argued by some of the parties that they were profitable and that the Sirois Commission, before determination could be made as to those unreasonable discriminations might find it advisable to get the information. Incidentally, the Province of Manitoba at that time, as is summarized in the Sirois Report, took this position. This is at page 192;

"Counsel for Manitoba in the General Freight Rates Inquiry of 1925-27 in presenting his case to the board, urged it to make a finding on the profitability or otherwise of these statutory rates on wheat. His argument was that, since the earnings of the Western lines were high, it followed that the grain rates were profitable or alternatively, that the rates on other commodities were unduly high since they more than made up the loss."

Then he goes on: "No formal finding was made; but there were references to the question by two of the Commissioners."

THE CHAIRMAN: The Order-in-Council under which that inquiry was conducted was in the same language as the present Order-in-Council?

MR. O'DONNELL: Yes, P.C. 1487.





MR. O'DONNELL: And then following on:

"I am going to ask the Board, if they will, to make a finding with respect to the profitable nature of the grain traffic. So long as it is left in the realm of speculation you will have the large amount of propaganda which has gone over this country, contributed to by the railways. I think, on the material before the Board, that that question ought to be settled. It seems to me essential to decide whether or not these grain rates do or do not pay because if they do I say we are entitled to consideration of some other rates."

In other words, the conclusion that the Sirois Commission came to is quoted in the extract of the memorandum which they had prepared by their research staff, as I put it to Mr. Moffat just a few moments ago, and I quote from the memorandum:

"In other words a region whose traffic consisted of a large percentage of low grade traffic moving at very low rates, and a small percentage of high-grade traffic ought to expect to be charged a relatively higher rate on the small percentage of high-grade traffic than a region where the high and low-grade traffic maintained an even balance."

That, I suggest, cannot be done without looking into the whole thing as was suggested by counsel for Manitoba at that time. I assume, at that time, in view of the Order-in-Council which is similar to No.1478, that the board was restricted and could not act on the matter of the statutory rates. This Commission is in no way restricted. It might be advisable to determine as to what the Sirois Commission states and thereby be able to decide whether or not there



are regions as suggested by Mr. Moffat in discrimination

THE CHAIRMAN: The Board on that occasion, as on the present occasion, was ordered to conduct its investigation on some statutory rates, that is, the whole inquiry was subject to this statute.

MR. O'DONNELL: The Sirois Commission indicates that it would be a good idea to put it on the record:

"But upon the evidence available to us we cannot make such a finding ." That is on page 193.

THE CHAIRMAN: All this has to do with the equality of rates.

MR. O'DONNELL: Yes, my Lord.

THE CHAIRMAN: I refer you to section figure 1 of section 314, and there we find the words, "...passing over the same line or route.." Equality is to be achieved for all concerned if carried in like cars and passing over the same line or route. Have these words ever been... defined by the Board or by anyone else? I mean to say, passing over the same line or route. Does it mean the whole line of the Canadian National Railways, or does it mean a regional line?

MR. O'DONNELL: I would assume it means from point <sup>on</sup> to point the line.

THE CHAIRMAN: I am asking you whether that has ever been interpreted?

MR. O'DONNELL: I think <sup>that</sup> has been the subject of consideration at many times, but I haven't any reference, my lord, that I can point to.

THE CHAIRMAN: I think we all know that.

MR. O'DONNELL: I think the Order-in Council that your lordship referred to does use those particular words.

THE CHAIRMAN: No; that is just what I had in mind. The Order-in-Council requests the determination of a fair and



reasonable rate structure which will, under substantially similar circumstances and conditions be equal in its applications to all persons and localities. Will you go on, Mr. O'Donnell?

MR. O'DONNELL: Q. Mr. Moffat, we will now go to page 6 in the same chapter, which is page 117, my lord. You say there:

"It is the belief of the Manitoba Government that a substantial number of competitive rates, agreed charges, and other special rates, are now in effect, which would not now be introduced if judged by the criteria which have just been discussed."

What is the belief founded on, Mr. Moffat -- was there any different study of these matters?

A. No different studies other than the fact that competitive rates are concentrated in the East and that the Eastern portion has been less profitable than the West.

THE CHAIRMAN: Q. All?

A. No, to a much greater extent.

Q. Are there any in the West at all?

A. Oh, yes?

Q. Where are they in the West?

A. The two biggest groups in the West are the Transcontinental rates which apply through to Vancouver on hauls from Toronto and Montreal and another fairly important route is Calgary - Edmonton, and then there are a series of small ones, and I think the most important has direct competitive rates on Classes 1, 2, 3 and 4.

Q. In what region?

A. Throughout the West out of the important cities. I said "out of"; I mean "into".





Q. Do you mean Prairie Provinces?

A. I think it includes British Columbia as well.

MR. SINCLAIR: I am instructed that there are direct competitive rates throughout the Prairie Provinces, and there are numerous people with competitive rates, in addition, up to a distance of 370 miles under which L.C.L. freight moves by express.

THE CHAIRMAN: What about British Columbia?

MR. SINCLAIR: There are competitive rates between Vancouver and the Okanagan Valley and between Vancouver and Cariboo and from Vancouver Island.

MR. O'DONNELL: Q. You made no study, in any event to support that statement?

A. There are two factors we have been able to study; one I mentioned, and the other is a sort of analysis that is in chapter V VII. I think it is chapter VII, a chapter that deals with the changes in operating costs relative to the different length of haul. No, it is not chapter VII: it is chapter VIII.

Q. But you haven't made any study of the competitive rates you referred to.

A. No, and we are told that no one has, either, because the information is not available and would not be available until the results of the way-bill study is completed.

Q. All I am asking you is if you had made any study of it, and said you didn't?

A. Yes, we made two studies.

MR. SHEPARD: The witness has the right to explain it.

MR. O'DONNELL: Q. Oh, yes.

A. There are two bases and the only two bases that are available until something much more complete is done on the basis of the way-bill study and on the basis of something along that line.



Q. Where have the railways allowed competitive rates to remain in force when they could have been raised?

A. It is the same problem. You cannot identify any particular rate in one place or another. We have no information and there is no way of getting information. You have the additional fact that until last year or two, <sup>the</sup> nothing was done in the way of raising these competitive rates.

Q. When you say until the last year or two, I assume you are speaking of the war period?

A. Yes, the period immediately before the war and the period during which the Wartime Prices and Trade Board controls were in, nothing could be done. There was no application so/ far as I am aware of, to do that.

(Page 9493 follows)



Q And that was the condition in 1941 up until the order expired in 1947?

A That is right.

Q And immediately upon the expiry of the order you will agree the railways did attempt to raise all competitive rates?

A The application was made, yes, and the application was for an increase of 20 per cent and the railways indicated at the time they thought they could put up competitive rates by 20 per cent, and after the traffic competition was removed they only put them up 15 per cent.

Q Just let me stop you right there. You say they only put them up 15 per cent?

A Competitive rates as such 15 per cent.

Q In some cases the increases in competitive rates were 50 percent, 40 percent, 38 per cent. I have figures which are illustrative of the instructions

I have and they range from 50, 45, 37, 38, 57, 38, 52, 59 and so on. You will agree that that was the general situation if you have made any study at all?

THE CHAIRMAN: These figures you are giving are they percentages?

MR. O'DONNELL: Percentage increases. I contend, My Lord, that the table -

THE CHAIRMAN: Percentage increase in competitive rates?

MR. O'DONNELL: In competitive rates yes.

THE CHAIRMAN: Are they all in Eastern Canada?

MR. O'DONNELL: These are all in Eastern Canada, yes, which was the complaint which had been made, that the Eastern Canadian rates should be raised.



THE CHAIRMAN: And do you know the dates when these were effective?

MR. O'DONNELL: Yes My lord, there is a tabulation showing the dates.

THE CHAIRMAN: When did they begin and when did they stop?

MR. O'DONNELL: These increases began April 8, 1949 with the 21 percent Case authorization. That is the date of the judgment in the 21 percent case authorizing an increase.

THE CHAIRMAN: Now, therewere no increases before that?

MR. O'DONNELL: There could not be any during the war period for one thing and when the railways endeavoured to increase them in an endeavour to obtain revenue there was serious objection by the provinces, and your Lordship will remember that Mr. Frawley gave a reference to the Judgment: where the competitive tariffs which had been filed by the Railways in order to obtain the revenue, were suspended, and it was only at the termination of the 21 per cent Case that the Railways were authorized to make an increase. Your Lordship will remember that in the order which appears at the back of the Judgment in the 21 per cent Case the milways are authorized, according to paragraph 2, of that order 70425, to increas competitive rates below normal rates established to meet motor truck and / or water competition, or other form of competition at the discretion of the railway companies and the express companies concerned, in accordance with the situation existing prior to the issue of Order No. 69612, dated October 17, 1947. That was the Order suspending the tarriffs.





THE CHAIRMAN: That is suspending the -

MR. O'DONNELL: Competitive increase which the railways endeavoured to put in during the pendency of the 21 per cent Case.

THE CHAIRMAN: Fixing the rates as they were?

MR. O'DONNELL: Increasing the rates.

THE CHAIRMAN: In 1947 the order prevented you from increasing those rates?

MR. O'DONNELL: That is right.

THE CHAIRMAN: And you were not allowed to increase them until this other order?

MR. O'DONNELL: Until April 8, 1948.

THE CHAIRMAN: Then did you proceed at once to increase them?

MR. O'DONNELL: Yes, My Lord, once the 21 per cent increase was applied and then later -

THE CHAIRMAN: First the competitive rates themselves were increased as such, were they?

MR. O'DONNELL: Yes My Lord.

THE CHAIRMAN: Then the 21 per cent increase was put on top of that?

MR. COVERT: The 21 percent was first.

MR. O'DONNELL: 21 percent was first put on the rate.

THE CHAIRMAN: But in so far as the competitive rates were concerned, were they just increased 21 percent like all the others?

MR. O'DONNELL: They were, yes, at first, and then a 15 percent increase was put on on the 15 of September 1948.

THE CHAIRMAN: By the railways themselves?

MR. O'DONNELL: Yes, My Lord.



THE CHAIRMAN: Under that authority?

MR. O'DONNELL: Yes, 15 per cent.

THE CHAIRMAN: What I mean is this; the margin then between the ceiling rate and the competitive rate is less than it was?

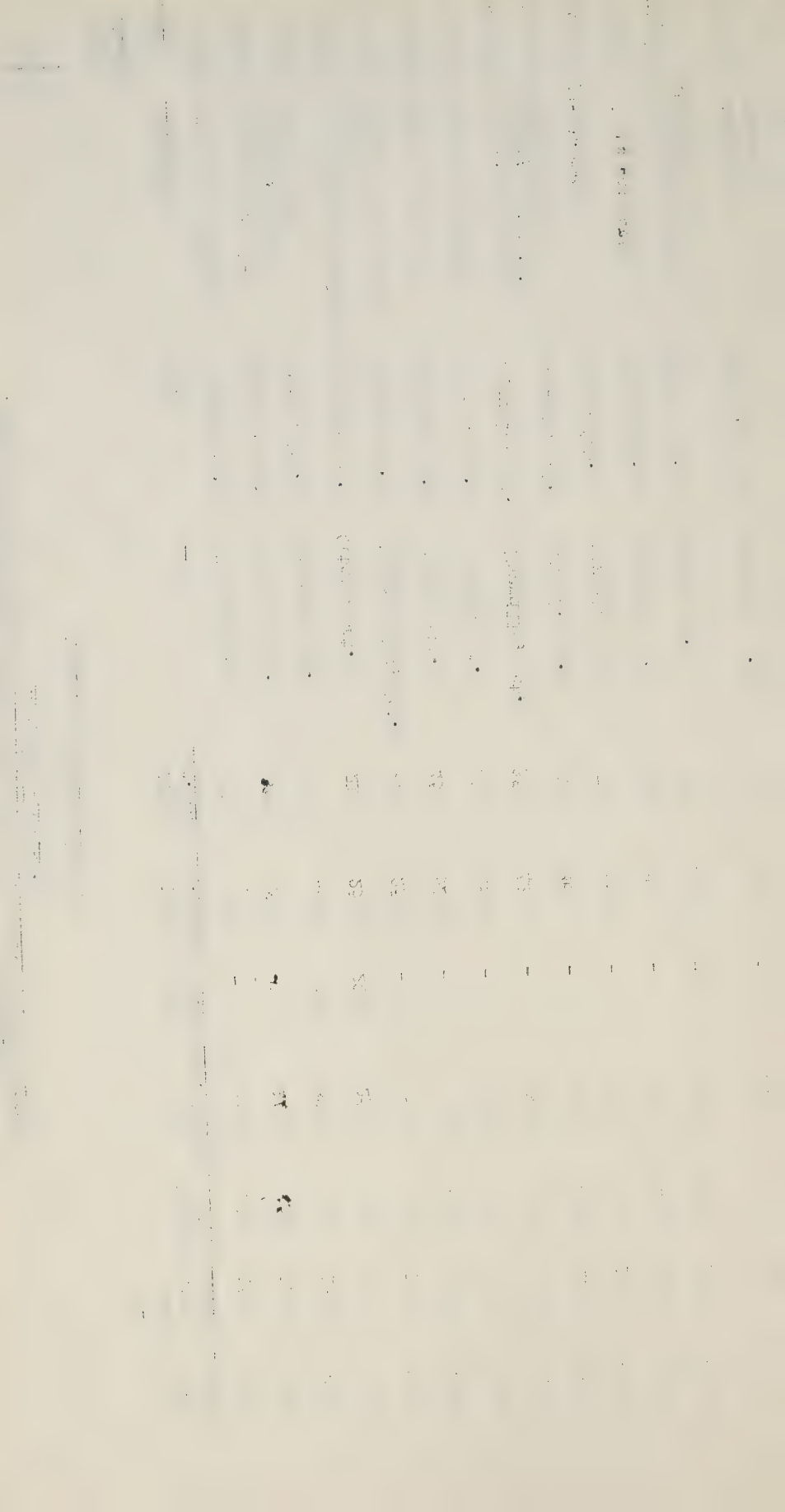
MR. O'DONNELL: That is right, and this table which I think might as well be put into the transcript gives quite a complete story of a number of these rates which are merely illustrative of hundreds which can be found in the tariff books, and which show the rates as of 7 April 1948 and it shows the rate increase of the next day 21<sup>with the</sup>/percent, it shows the rate as of the 15 April 1948, it shows the rate as of September 15 1948, with a 15 percent increase added to it. It shows the present rate and it shows the increase in cents as well as percentagewise and it goes, in my respectful submission, to refute the statement that the railways have failed to increase their competitive rates as they might have. I would hand this, My Lord, to the reporter and ask that it be placed in the record at this point.



STATEMENT INDICATING INCREASES IN REPRESENTATIVE RATES  
PUBLISHED IN C.N.R.Y.S. TARIFF CM-195, C.T.C. E. 2115, ISSUED TO  
MEET MOTOR TRUCK AND/OR WATER COMPETITION OVER RATES FOR SAME MOVEMENTS  
ON PERIL 7TH, 1948.

RATES IN CENTS PER 100 LBS

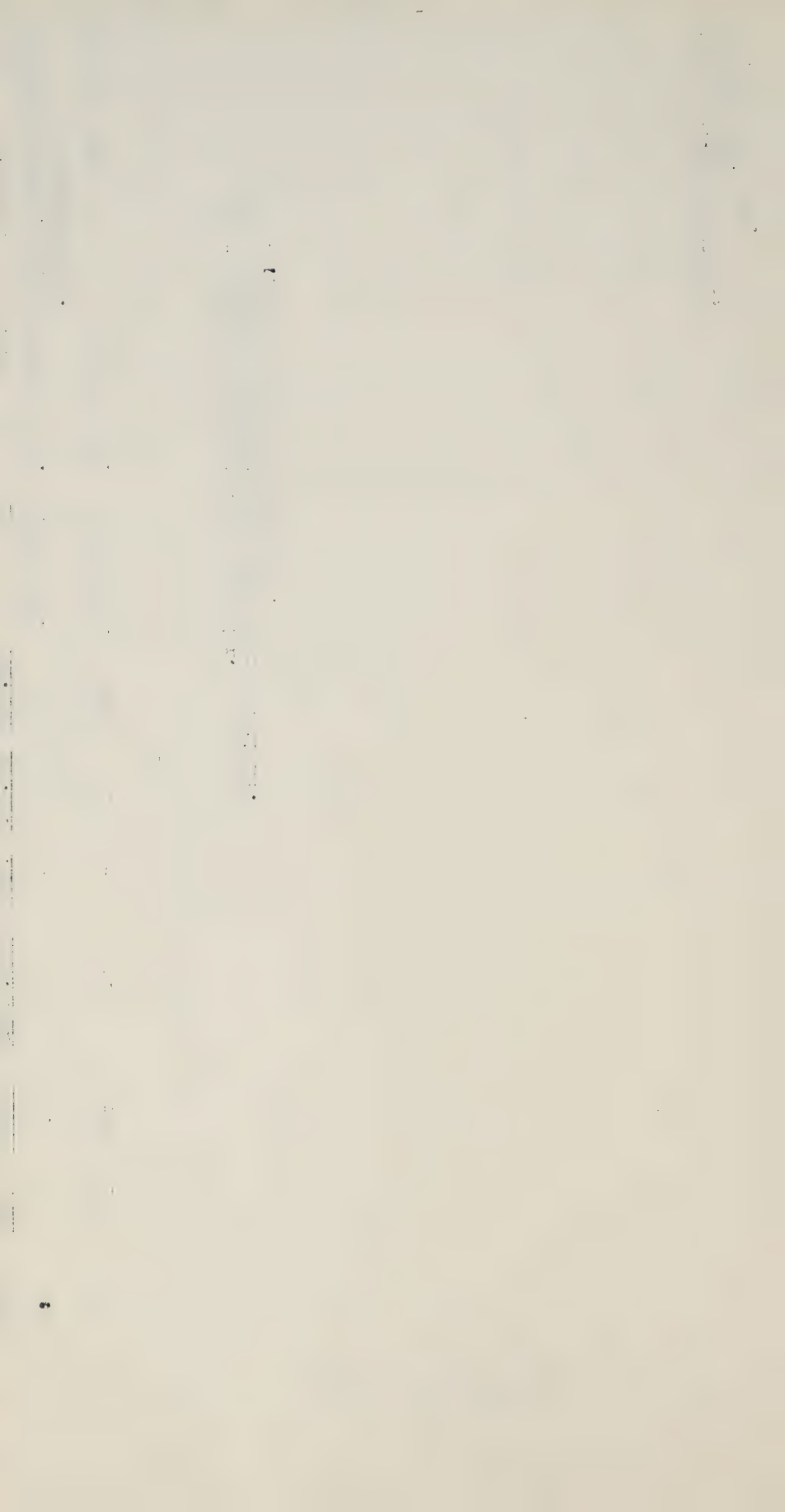
| ITEM      | COMMODITY                                  | FROM             | TO                  | BASIC<br>Apr. 7/48 | 21%<br>Apr. 8/48 | April<br>15/48 | 15%<br>Sept. 15/48 | Present<br>Rate | Inc-<br>rease<br>in<br>Cents | %<br>Inc-<br>rease |
|-----------|--------------------------------------------|------------------|---------------------|--------------------|------------------|----------------|--------------------|-----------------|------------------------------|--------------------|
| 70(MT)    | Automobile Engines                         | Windsor, Ont.    | (Shawa, Ont.        | 27                 | 33               | -              | 38                 | 42              | 15                           | 56                 |
| 280(MT)   | Compounds or Sub-<br>stitutes, Lard        | Hamilton, Ont.   | Montreal, Que.      | 37                 | 38               | -              | 44                 | 45              | 14                           | 45                 |
| 461(MT)   | Feed, Animal                               | Toronto, Ont.    | Montreal, Que.      | 35                 | 42               | 33             | 38                 | 48              | 13                           | 37                 |
| 631½(MT)  | Commodities, Groceries,<br>etc.            | Montreal, Que.   | Ottawa, Ont.        | 21                 | 25               | 22             | 25                 | 29              | 8                            | 38                 |
| 995 (MT)  | Wire, Iron or Steel                        | Ojibway, Ont.    | Niagara Falls, Ont. | 21                 | 25               | -              | 29                 | 33              | 12                           | 57                 |
| 1C21(MT)  | Liquors, Alcoholic                         | Montreal, Que.   | Toronto, Ont.       | 45                 | 54               | -              | 62                 | 62              | 17                           | 38                 |
| 1030(MT)  | Liquors, Alcoholic                         | Montreal, Que.   | Waterloo, Ont.      | 40                 | 48               | -              | 55                 | 55              | 15                           | 38                 |
| 1040(MT)  | Liquors, Alcoholic,<br>Alcohol, N.O.I.B.N. | Corbyville, Ont. | Walkerville, Ont.   | 35                 | 42               | -              | 48                 | 53              | 18                           | 54                 |
| 5119(MTW) | Binder Twine                               | Brantford, Ont.  | Montreal, Que.      | 30                 | 36               | -              | 41                 | 46              | 16                           | 53                 |
| 5120(W)   | Twine                                      | Welland, Ont.    | Montreal, Que.      | 27                 | 33               | -              | 38                 | 43              | 16                           | 59                 |
| 5171(W)   | Sticks and Jars                            | Toronto, Ont.    | Montreal, Que.      | 25                 | 30               | -              | 35                 | 38              | 13                           | 52                 |
| 5370(W)   | Compounds or Sub-<br>stitutes Lard         | Toronto, Ont.    | Quebec, Que.        | 35                 | 42               | -              | 48                 | 53              | 18                           | 51                 |
| 5965(W)   | Macaroni &<br>Spaghetti                    | Merriton, Ont.   | Montreal, Que.      | 30                 | 36               | -              | 41                 | 44              | 14                           | 47                 |
| 5975(W)   | Macaroni &<br>Spaghetti                    | Montreal, Que.   | Toronto, Ont.       | 27½                | 33               | -              | 38                 | 41              | 13½                          | 49                 |





| ITEM       | COMMODITY                            | FROM                                                 | TO           | -2-<br>BASIC |           | April<br>15/48 | 15%<br>Sept. 15/48 | Present<br>Rate | Increase<br>in<br>Cents | Inc-<br>rease<br>% |
|------------|--------------------------------------|------------------------------------------------------|--------------|--------------|-----------|----------------|--------------------|-----------------|-------------------------|--------------------|
|            |                                      |                                                      |              | Apr. 7/48    | Apr. 8/48 |                |                    |                 |                         |                    |
| 6303 (MTW) | Roofing, Pitch,<br>Paper, Felt, etc. | Montreal, Que.                                       | Arvida, Que. | 24           | 29        | -              | 33                 | 36              | 12                      | 50                 |
| 6358(W)    | Soap                                 | Hamilton, Ont.                                       | Quebec, Que. | 36½          | 44        | -              | 51                 | 56              | 19½                     | 53                 |
| MT         | -                                    | Issued to meet Motor Truck competition.              |              |              |           |                |                    |                 |                         |                    |
| MTW        | -                                    | Issued to meet Motor Truck and/or Water competition. |              |              |           |                |                    |                 |                         |                    |
| W          | -                                    | Issued to meet Water competition.                    |              |              |           |                |                    |                 |                         |                    |

Canadian National Railways,  
Montreal, Que.  
November 19th, 1949.



THE WITNESS: There are two or three points -

THE CHAIRMAN: You say in your brief:

"It is the belief of the Manitoba Government that a substantial number of competitive rates, agreed charges, and other special rates, are now in effect, which would not now be introduced if judged by the criteria which have just been discussed." and so on. Do you mean that notwithstanding these decreases, there are other competitive rates that ought to be decreased? Is that what you mean?

THE WITNESS: Yes.

Q. Where are they? Can you point them out?

A. I was going to point out two or three points in that connection, if I may sir. The first thing is that this group of rates which Mr. O'Donnell is talking about is, as he says, only a few illustrations of what has been done. So far as I am aware, no one has given any comprehensive story of what has happened to competitive rates taking them over all. Whether this has happened to all competitive rates or some of them or whether there is a substantial number of other rates where this sort of thing has not happened, I don't think any one knows.

MR. O'DONNELL: Can't anyone go along to the tariff office and pick out that data?

A. No, it is impossible to make any sense out of it.

Q. By comparing <sup>what</sup> the tariff that had been in April 1947 with what it is today?

A. On an individual case.

Q. What more do you want?

A. I want to know how many there are increased.

Q. There are millions of rates and there are hundreds of that kind?

A. That is exactly the problem.



Q. Well don't say it can't be done because it has been done.

A. No, it has not been done.

Q. Well, if the tariffs have been filed we will agree on that?

A. Yes.

THE CHAIRMAN: I think the railways might tell us simply this. Are there any competitive rates which were effective when this last order of the Board came out that had not been increased?

MR. O'DONNELL: In my understanding, My Lord, all competitive rates which could be increased so that the traffic could be held were increased or suspended or cancelled.

THE CHAIRMAN: But that implies that some competitive rates have not yet been increased; otherwise, you would have lost traffic. Is that right?

MR. SINCLAIR: They have all been increased I am instructed, My Lord, the agreed charges as Mr O'Donnell pointed out--some of the agreed charges which he pointed out.

THE CHAIRMAN: Never mind the agreed charges at the moment. Will you tell me whether there are still some competitive rates which have not been increased?

MR. SINCLAIR: No, My Lord.

MR. O'DONNELL: My instructions are the same as far as the Canadian National Railway is concerned.

MR. COVERT: I think perhaps while we are here, Mr. Chairman, would that increase be something more than the 21 percent increase?

THE CHAIRMAN: That is part of the question I have put to Mr. O'Donnell.



MR. SINCLAIR: Very substantially My Lord.

THE CHAIRMAN: They were all increased 21 percent?

MR. SINCLAIR: Yes.

THE CHAIRMAN: Were they all increased likewise to a higher percentage rate than they were before?

MR. SINCLAIR: I understand so, My Lord. Some were taken out entirely; some have had varying amounts of percentage increase.

THE CHAIRMAN: Some were put back to the standard rate?

MR. SINCLAIR: Well whatever the normal rate might be.

THE CHAIRMAN: But all were increased?

MR. SINCLAIR: Yes My Lord.

THE CHAIRMAN: Independently of the 21 percent?

MR. SINCLAIR: Yes, that is my instruction.

THE CHAIRMAN: By Canadian Pacific Railway?

MR. SINCLAIR: And that such competitive rates are constantly under review by the railway officials to see whether they can be increased further without losing the traffic.

MR. O DONNELL: And my understanding was they were also further increased by 15 percent and that they have an accumulated increase of 21 percent and 15 percent additional was put on them as shown by the tabulations I have just produced.

MR. FRAWLEY: My Lord, on the 12 of September of this year there was an authorized increase of freight rates. I understand that that 8 percent increase in their rates was not applied to competitive rates. If I am wrong I would like my friends to correct me.

MR. SINCLAIR: As far as the Canadian Pacific is concerned I am instructed that the traffic officials are





actively engaged in going through these rates to see what further increases they can bear and that is not an unusual thing but that is the regular procedure being followed by traffic officials of the Canadian Pacific and that just as soon as the officials of the Company in view of all the facts feel that these rates can be increased further, they will, even in Alberta.

THE CHAIRMAN: I suppose that is an increase where you will not lose the traffic?

MR. O'DONNELL: Yes, and the Canadian National is in a similar position. I will draw attention to the authorization of the Board of Transport Commissioners in the 21 percent Case as far as competitive rates are concerned;

"Competitive rates below normal rates established to meet motor truck and/or water competition or other form of competition may be adjusted within the discretion of the railway companies and express companies concerned."

The Board knows, I am satisfied, that the Railways have not increased by 21 percent and by 15 percent such competitive rates as they could, and by the additional percentages as shown in the tabulation, for instance, are doing everything possible to get all the revenue they can from competitive rates and the Board expressly gave authorization to make those adjustments within the discretion of the Railway Companies concerned.

MR. FRAWLEY: You would not need a reason Mr. O'Donnell

MR. SINCLAIR: The only reason it is in there is to allow us to increase them on short notice instead of the statutory notice as provided by Railway Acts.

THE CHAIRMAN: Instead of what?

MR. SINCLAIR: The statutory notice that is provided by the Railway Act, thirty days as against 10 days because we had asked for that provision to be granted to us on application.



MR. SHEPARD: Mr. Chairman, Mr. Matheson has just advised me that it is his understanding that certain of the competitive rates have actually been reduced by the railways notwithstanding that my friend Mr. Sinclair <sup>said</sup> that they have all been increased.

THE CHAIRMAN: Well, can Mr. Matheson tell us where that exists?

MR. SHEPARD: I asked him that and he cannot tell us at the moment but he can make inquiries and perhaps put it on the record later.

THE WITNESS: There is one other group that is fairly closely related to these competitive rates, and that is agreed charges.

MR. O'DONNELL: We are just talking for the moment about competitive rates.

A. It has been handled quite differently -

THE CHAIRMAN: Looking at it from the outside, it seems to me that the railways would not be granting the lower rate to any locality which was not necessary in order to get or secure the traffic. It would not be in their interest to do it. Why should they?

A. Someone asked me that question the other day.

MR. O'DONNELL: You had better answer it now.

A. The answer I gave at the time was, we were not quite sure that they did it, but the indications were, that they did it in the past and particularly that they did not raise them when the circumstances had changed so that it would have been to their advantage to ~~do~~ them. Why they did it, I don't know.

COMMISSIONER ANGUS: You say " In the past. What time do you mean in the past - the 1930's?

A. Particularly towards the end of the 30's, and until the provinces began to put pressure on through these rate cases, and this last wave of increases in the last eighteen



months, and I think we have to agree that they have done a reasonably good job in carrying out the sort of thing the provinces would like to see them do, but that is in part through the efforts of the provinces.

MR. O'DONNELL: Do you suggest to this Commission that the rates could have been raised during the Depression years?

A. Not generally.

Q. Are you suggesting, that livestock rates for instance, which were allowed by the Board's Judgment in 1920 to be raised by 40 percent and which the railways voluntarily refused - - My friends can smile all they like about it; it is on record that in 1920 in the general freight rates inquiry the railways were given authority to raise those rates up to 40 percent. Do you think the railways should have raised those rates during the Depression years?

A. Not the livestock rates.

THE CHAIRMAN: Pardon me, Mr. 'Donnell, the livestock rates were special rates, not competitive.

MR. O'DONNELL: They were special but they were depressed rates, and my friend contended that all these depressed rates should be raised.

MR. FRAWLEY: The livestock rates which my friend says so many times were voluntarily reduced were due to the economic <sup>condition</sup> of Western Canada at that time. If my friend's railway had not reduced those rates they would not have hauled a steer, in the province of Alberta.

MR. O'DONNELL: That might be, but I am suggesting to the witness that when he indicates to the Commission that these rates should have been raised during that time, that it is possibly suggesting something that could not have been done.





THE CHAIRMAN: We have been talking of competitive rates, rates which the railways reduced to take traffic which ordinarily would go to another carrier, trucks or ships. Now, are those special livestock rates, rates of that type? Were they not rates put into operation by the railways to encourage an industry?

MR. SINCLAIR: My Lord, there were two types in Western Canada - pedigreed livestock rates and I think that is what you have reference to, and then special commodity rates that were competitive. The special rates were expiry rates on pure bred livestock and show stock.

THE CHAIRMAN: There cannot be any complaint that those special livestock rates were not increased by anybody because we are told they were increased about 142 percent in Alberta.

MR. SINCLAIR: The special rate?

THE CHAIRMAN: They were increased in all about 142 percent.

MR. SINCLAIR: That is right, My Lord.

THE CHAIRMAN: And you say they were competitive rates?

MR. SINCLAIR: They were special rates, expiry rates, but outside of those, were general livestock rates which were not special rates.

THE CHAIRMAN: Were they not rates which the railway had put into effect in order to encourage that particular industry?

MR. SINCLAIR: That applied to pedigreed livestock and exhibition stock only.

MR. O'DONNELL: The rates I am speaking of are the livestock and packing house products rates which were different.

THE CHAIRMAN: Those were competitive, were they?

MR. O'DONNELL: I don't say they were competitive.

THE CHAIRMAN: You see, let us distinguish - We have been talking so far about competitive rates, and this part of



the Manitoba brief that you are examining Mr. Moffat on refers to competitive rates. Then it goes on and talks later about agreed charges and other special rates, but for the moment we are talking about competitive rates and let us clear that up. Let us distinguish between competitive rates and special rates. Now, I understand you to say that the general position is this, that your railway has increased all competitive rates, and that since the last 8 per cent increase was authorized you are studying what other increases can be made in competitive rates. Mr. Sinclair tells us that anyhow.

MR. O'DONNELL: And some have been increased to my knowledge even at this date.

THE CHAIRMAN: Now you are getting on, if you like, to agreed charges, and special rates, and that is why I want to distinguish between special rates and competitive rates in regard to these livestock rates concerning which we hear a great deal in Alberta.

Page 9508 follows.



MR. O'DONNELL: My question to the witness way back was as to where the railway had not raised competitive rates when they could have. That was the point I was making, and I think Dr. Angus asked what period of time is covered by your statement that rates <sup>not</sup> were/increased when they could be increased. That is what I was directing attention to.

A. One other group -----

Q. The period of time, to begin with.

A. I think I indicated that to Professor Angus.

Q. It goes back to the end of the 1930's.

A. To some extent at the end of the 1930's.

There was no review made. To some extent it goes back even further than that.

Q. If there was no review made at the end of the 1930's, what is your basis for making that statement? No review by whom?

A. No review by anyone looking at the thing from the point of view of the public over-all other than the railways themselves.

Q. The railways themselves were certainly looking at it, you will agree with that?

A. I don't know whether they were or not, but there is another group of rates there which in all its essentials is a competitive rate which has not been raised, and that is agreed charges, in all its essentials a very competitive rate.

THE CHAIRMAN: Mr. O'Donnell is not through yet with the matter of competitive rates.

MR. O'DONNELL: No, I am not, my lord, At least, that is when I get that one question home.

A. There is one other aspect of this thing, that what we are advocating here is something to see that



for the future this is not re-introduced again, and we have some evidence of moves being proposed which looked as if they were proposing to re-introduce some of this differential again - that is, the 20 per cent application.

THE CHAIRMAN: By providing competitive rates? Just a minute, let us finish first with competitive rates, because they are very different things. These charges are provided for by special statute and so on. Let us stick to competitive rates. Do you say that you have reason to believe that the railway intend to introduce <sup>rates</sup>/that would be unjust to you? What then?

A. To re-introduce the old state of affairs by raising non-competitive rates by an amount greater than the increase in the competitive rates, and the 20 per cent application was framed in that way.

COMMISSIONER ANGUS: At a time when they could raise the competitive rates without destroying the traffic, is that it?

A. Yes.

Q. Is their general argument this, that one would assume the railways were vigilant in the matter of raising competitive rates in the later 1930's?

A. Yes.

Q. And therefore you are suspicious that they are not being vigilant now?

A. That might come under it, yes.

MR. O'DONNELL: Do you remember the evidence given by Mr. Jefferson in the 21 per cent. case concerning the review made during the year, and every year, of





competitive rates?

A. I heard Mr. Jefferson's evidence, yes.

I do not remember that particular point.

Q. On your basis you would assume that the railway is not alert to its own interests and is not endeavouring to obtain all the revenue that it could all the time?

A. There seems to be some suggestion of that.

Q. Why would you think that?

A. As to why, as I say, I don't know why.

Q. Merely your suspicion, with no foundation in fact to support it? Is that correct?

A. Well, no, not that we have no foundation in fact.

Q. Well then, give us the foundation for it. Let us go to the transcontinental rates which occur at page 12.

THE CHAIRMAN: What about agreed charges and other special charges, do they form part of that same sentence?

MR. O'DONNELL: If you look in the chapter transcontinental rates come next.

THE CHAIRMAN: You mean, as to competitive rates?

MR. O'DONNELL: Yes, my lord, transcontinental rates will be found at page 121, and later still upon agreed charges.

THE CHAIRMAN: Well, it is alleged that these transcontinental rates differentiate against Winnipeg in the middle west in favour of Vancouver and Eastern Canada. That is about what it is, isn't it? I think that is the allegation.

MR. O'DONNELL: Yes, generally speaking, my lord. Now, at page 12 of Chapter XI, Mr. Moffat, you say:



"For some reason, which is not clear to us, these proposed increases have not been put into effect. In the meantime American rates have been still further increased."

THE CHAIRMAN: What page is that in the printed brief?

MR. O'DONNELL: Page 121, my lord.

THE WITNESS: Mr. O'Donnell, Mr. Evans one day last week (I am not sure which day it was) pointed out that the transcontinental rates have been increased since this brief was written, at a period unknown to me at any rate. I still have not got precisely the date, but certainly the fact that it is here now ---

THE CHAIRMAN: I think Mr. Evans said these increases had been made in September.

MR. O'DONNELL: Q. Your brief is dated September 1949.

A. Yes.

Q. And I suggest to you that as of 7th April, 1948, increases in transcontinental rates were made.

A. In a few cases. How many I don't know.

Q. And you did not take the trouble to verify what the situation was before you put that statement in the brief?

A. It is not a case of trouble. It doesn't matter what you do, you can't find out. At least I can't find out.

Q. Is the Municipal and Public Utilities Board, Motor Carrier Branch, one of the branches of the Manitoba Government?

A. Yes.



Q. And the Canadian National records, Canadian Freight Association records, show that copies of the tariff were sent to them upon their request.

A. Copies of the tariff, but it doesn't do anybody any good. I am trying to find out what has been happening, gone to all different people to tell us what has happened to these freight rates, but you cannot get the general pattern of what has happened from a tariff - at least I can't.

Q. Here is a tariff, C.T.C. 1444, which has fifty pages in it, and which I am informed is the tariff which applies to "All Rail", "Rail, Water and Rail" and "Water and Rail", competitive, local and joint freight tariff, commodity rates and carloads, applying from stations in Eastern Canada east of Armstrong and Port Arthur, Ontario, to British Columbia coast points.

A. Yes.

Q. You never read that tariff?

A. If I had read it, I still would not know how many of those rates had been increased and how many had not been increased. If I spent the rest of my life reading that tariff, I still would not know whether all the rates had been increased or whether they had not. There is nothing there to compare it with.

Q. Well, if you enquired of any railway man do you think he could not tell you?

A. Any railway man? There might be one or two railway men in Canada, but the answer is that I don't know. There certainly are not any in Winnipeg that could answer it.

MR. SINCLAIR: I must challenge that statement, my lord, that there are no persons in Winnipeg.





THE WITNESS: There is not any person in Winnipeg who can tell me whether all the rates have been raised on transcontinental.

MR. O'DONNELL: Q. Did you ask Mr. Buckingham in Winnipeg to explain?

A. No.

Q. Did you ask Mr. McMillan of the C.N.R. in Winnipeg, or the officers in Winnipeg of the Canadian National? Did you ask anybody in the railways?

A. I did not ask anybody in the railways directly.

Q. Do you say there is nobody in Winnipeg that can read who can supply the answers as of a given date?

A. I am told by Mr. Denton that he once had a 'phone call from one of the railway officers asking if we could tell him.

THE CHAIRMAN: Mr. O'Donnell, is it a fact that the Canadian National Railways have also made increases effective from 1st September in these particular rates?

MR. O'DONNELL: In these particular rates, as of September this year, I am informed it is a fact.

THE CHAIRMAN: The brief says:

"For some reason which is not clear to us, these proposed increases have not been put into effect."

Then Mr. Evans gave us the information that insofar as the C.P.R. is concerned they have been put into effect from and after 1st September last. Is that the case with the C.N.R.?

MR. O'DONNELL: That is the case, and it is a cover rate on this very tariff, C.T.C. 1444, effective September 1st, 1949, a tariff that anyone could have consulted, as after the date of issue on 29th July 1949 a copy of it went to the branch of the Government of Manitoba which I



have just mentioned. They got both the eastbound tariff and the westbound tariff. Now just again as illustrations only of the extent of the increases which have been put in on transcontinentnal rates (and there have been hundreds of increases) I have another table which I would ask, my lord, that the transcript writer insert at this point.

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STATEMENT SHOWING INCREASES IN REPRESENTATIVE  
RATES ON TRANSCONTINENTAL TRAFFIC OVER RATES  
IN EFFECT APRIL 7th, 1948.

TO VANCOUVER, B.C.

8616  
#9373

RATES IN CENTS PER 100 LBS.

| FROM                                                   | COMMODITY                        | Item No. | Min. Wt. | C.F.A. TARIFF 1-H, C.T.C. No. 1312 |               | Item No. | Min. Wt. | C.F.A. TARIFF 1-J CTC 1444         |                                                   | Percentage of Increase present April 7, 1948 |
|--------------------------------------------------------|----------------------------------|----------|----------|------------------------------------|---------------|----------|----------|------------------------------------|---------------------------------------------------|----------------------------------------------|
|                                                        |                                  |          |          | Basic Apr. 7/48                    | 21% Apr. 8/48 |          |          | Present Rates Effective Sept. 1/49 | Increase in Cents Present Rate over April 7, 1948 |                                              |
| A & B                                                  | Blocks, Butcher                  | 240-B    | 36000    | 142                                | 172           | 198      | 200      | 36000                              | 293                                               | 151                                          |
| A & B                                                  | Electrical Appliances            | 800      | 30000    | 150                                | 182           | 209      | 800      | 30000                              | 295                                               | 145                                          |
| A & B                                                  | Disinfectants                    | 660-A    | 40000    | 150                                | 182           | 209      | 740      | 40000                              | 288                                               | 138                                          |
| A & B                                                  | Pole Line Construction Materials | 820      | 40000    | 150                                | 182           | 209      | 820      | 40000                              | 274                                               | 124                                          |
| A & B                                                  | Juices, Fruit                    | 1510-C   | 40000    | 130                                | 133           | 153      | 1060     | 40000                              | 237                                               | 127                                          |
| A & B                                                  | Iron & Steel, Misc.              | 1430-D   | 30000    | 150                                | 182           | 209      | 1240     | 30000                              | 274                                               | 124                                          |
| A & B                                                  | Radio Sets                       | 1990-A   | 20000    | 300                                | 363           | 417      | 1880     | 20000                              | 530                                               | 230                                          |
| A & B                                                  | Tires, Rubber, Pneumatic         | 2150     | 30000    | 183                                | 221           | 254      | 1960     | 30000                              | 337                                               | 154                                          |
| Markham, Ont. )<br>Montreal, Que. )<br>Toronto, Ont. ) | Bulbs or Tubers                  | 3550-A   | 20000    | 187½                               | 227           | 261      | 300      | 20000                              | 433                                               | 245½                                         |

NOTE: A & B Territory Ontario and Quebec points.

Canadian National Railways,  
Montreal, Que.,  
November 18th, 1949.



THE CHAIRMAN: Pardon me a moment, Mr. O'Donnell. When you say hundreds of increases in transcontinental rates, what brings them into the figures of hundreds? Are they different commodities?

MR. O'DONNELL: Yes, there are many, many transcontinental rates.

THE CHAIRMAN: On commodities?

MR. O'DONNELL: Yes, my lord.

THE CHAIRMAN: I mean, it is the great number of commodities which gives these figures?

MR. O'DONNELL: Yes. Q. I am informed, Mr. Moffat, (you could not have forgotten this) that you obtained a copy of tariff No. 1-J and that you had the copy stencilled and distributed by the Canadian Manufacturers' Association.

A. I did not get a copy of that, that is to say what I got was a mimeographed information bulletin put out by the Toronto Chamber of Commerce, quite by accident, and the only way it came to us was by accident. Whether it was put out by accident, I don't know.

Q. Did you ask for it?

A. No.

Q. Who gave it to you?

MR. SHEPARD: I explained that document to Mr. McLean in Toronto, because he is a member of the Toronto Chamber of Commerce, and he forwarded it on to Winnipeg.

MR. O'DONNELL: Q. And it has comparisons of rates as they were before the increases and after?

A. Yes.

Q. And you had it stencilled and distributed to people in Winnipeg who were interested?

A. That is right.





Q. And you did not know anything about this tariff?

A. It didn't tell anyone all these rates were being increased, whether they were the only rates being increased or whether it affected all the trans-continental rates or part of them.

Q. Would you agree with me that if you took this tariff, fifty pages of it, and compared it with the tariff, which was likewise possibly 50 pages, which immediately preceded it, you could determine by what rate any given commodity had been increased?

A. By what rate any given commodity had been increased in there.

Q. What more do you suggest could be done?

A. I would want to know whether that was all the transcontinental rates.

THE CHAIRMAN: What are you saying?

A. I say that in order to be able to judge the situation, you would want to know whether there were other commodities which were not increased, and that information is not available to anyone.

Q. Other commodities that were not increased?

A. And how much traffic volume was involved. That information is not available to anyone. The railways haven't got it. In that respect we are not in any worse position than the railways.

Q. Do the railways charge something for every commodity that goes?

A. Yes, but there may have been, as far as we know, a substantial number of commodities on which the rate remained exactly where it was.

THE CHAIRMAN: Mr. O'Donnell, are there any commodities on which the rates have not been increased?



MR. O'DONNELL: Not in my understanding, my lord.

THE CHAIRMAN: Was there some sort of blanket increase made in these rates, in that case, to cover everything?

MR. O'DONNELL: This tariff, as I understand it, was compiled covering all charges.

THE CHAIRMAN: All commodity rates?

MR. O'DONNELL: Yes, all commodity rates.

THE CHAIRMAN: And is it a tariff that shows the increases in every case?

MR. O'DONNELL: I understand the indication is that there were additions, cancellations, changes, increases, reductions, re-issues, and those are shown along on the side of the tariff, so that whatever happened in any particular case could be shown, could be determined by consulting the tariff.

THE CHAIRMAN: You see, Mr. Moffat, your brief says that the American rates have been increased. How did you know that was so?

A. All we know there is that the Americans authorised an increase on their regular rates. Again we are not absolutely sure what happened.

MR. O'DONNELL: Again you did not ask?

A. No.

Q. And you don't know what the position is?

A. Not on individual commodities, no.

MR. FRAWLEY: My instructions are that the tariff 1-J was a re-issue of the tariff for carrying the goods from Eastern Canada to Vancouver. Generally speaking it was an increase. There may be some that were left as they were. In fact, I take it, in the other instance there were perhaps a small number where they were reduced. But I understand that Mr. Moffat says to us that for a



person to find out just what had happened, which had been reduced, which had been left and which had been increased, that is almost an impossible task.

THE CHAIRMAN: Well, the railways ought to be able to tell us that.

MR. O'DONNELL: Certainly.

MR. FRAWLEY: That there should be available something which would show for each of these rates exactly what the history is, and I understand Mr. O'Donnell is now going to pass something like that in just by way of a sample.

MR. O'DONNELL: That is right, and which anyone sitting down to study the tariff could make up for himself. All I was interested in was determining what the basis of the statement was, and now that I find out what it was, I would therefore ask that a few of these rates (and I say they are merely illustrative) should be put on the record, and I will hand the transcript writer the tabulation which shows how the trans-continental rates have been increased. I take the first one on the list, an increase of 106 per cent. over April 7th 1948.

THE CHAIRMAN: What is that increase on?

MR. O'DONNELL: That is on blocks, butchers' blocks, whatever they may be.

THE CHAIRMAN: What is it? I didn't hear.

MR. O'DONNELL: Butchers' blocks, whatever they may be. It is an item in the tariff.

MR. FRAWLEY: They are just a bit larger than baby blocks.

MR. O'DONNELL: Electrical products is the next one which is there, 131, 84, 92 and so on. Those were the





increases that my friend, Mr. Moffat, suggested had not been put into effect. Turning now to a particular sentence in your brief, would you just go to the bottom of that same page, where you say:

"It is our view that as a minimum, the Canadian transcontinental rates should be raised up to the level charged by their most serious competitors for that traffic, namely the railways of the northern United States, and that studies should be instituted ...."

and so on.

THE CHAIRMAN: Where is that?

THE WITNESS: That is just below the items 1, 2 and 3.

MR. O'DONNELL: Page 122, my lord

THE CHAIRMAN: Yes.

MR. O'DONNELL: Q. Why do you suggest that these transcontinental rates should be raised to the level of the American railway rates, and not merely to the point that will allow the railways to ~~meet~~<sup>check</sup> the competition they are endeavouring to meet, which is the ship competition through the Panama Canal?

A. We are back to the ship again.

Q. Never mind if we are. All I am asking you is whether you suggest that that is not the point at which the competition should be met.

A. If there is water competition and if somebody can put this in from outside, then it is water competition that should be taken into account, but if there is only one ship then the competition is from the American railways.

Q. If there is only one ship (and I don't know whether there is more than one or not), but if only one

[The page contains extremely faint, illegible text, likely a scan of a document with very low contrast or significant fading. The text is arranged in several paragraphs, but no specific words or phrases can be discerned.]

was taking all the traffic was available, that the railways thought they should endeavour to meet, then is not that competition the railways have to face, and that is the rate that has to be put in?

A. You say, if the railways did, that is one thing, but this issue is one that goes beyond the railways. If in the opinion of the Board of Transport Commissioners this is competition that has to be taken into account, yes.

Q. And if you don't make any complaint to the Board of Transport Commissioners that there was unjust discrimination, then cannot the Board of Transport Commissioners assume that the rate is just and fair, unless someone complains of it?

A. No.

Q. And you don't know whether the rate is just and fair or not?

A. No, our suggestion is ----

Q. But you have not made any complaints.

A. But we are certainly making a complaint here. Our suggestion is that the starting point should be to make these rates equal to the most important competition, which is the transcontinental American rate as far as we can see it; and that then, with this as a starting point, then study the figures as to whether there should be a slight deviation one way or the other, either up or down as the case may be.

Q. Let me ask you one other question. Do you say that the competition that the Canadian rates should meet should be that of the American rate?

A. Of the class, yes.

Q. Would you say that that same standard would apply in judging the fairness of the grain rates?

A. It would apply in any case where there is



competition with the American rates. There is no competition with the American grain rates.

Q: And the grain rates on the Canadian railways which are competing with the American railways?

A: On rates. ---

Q: Just a moment. You say that the rates should be raised to the same level that the American rates are.

A: No, this is in terms of competition. If the American rates are lower, if the American rates are taking away traffic, then it should go down to that level, yes; but the over-all criteria is in terms of the competition situation. When you have got competition, when you are trying to set a competitive level to which rates should be brought.

Q: Why do you want to judge the basis upon which Vancouver people pay freight with respect to the level of American rates, when in your own case, concerning your own grain, you say that the American railway carries grain to the same market as you can. American wheat goes to Duluth, does it not, and from Duluth through the lakes.

A: Not very much.

MR. SHEPARD: Not the same grain.

MR. O'DONNELL: They carry grain to the same market as you compete in.

A: Not very much.

Q: At this particular moment you have in mind the U.K. contract.

A: No, I have in mind that American grain does not go to Britain.

Q: The moment the U.K. contract goes and there is a free market in wheat, you are competing with American wheat are you not?





A: No, but the fundamental principle is something quite different from that anyway. The question is to establish a bottom level below which competitive rates should not go. In that case, whatever the rail competition is, that is important, and that is the competition against which it has to be measured, whether it is trucks or water or American railways in some cases.

Q: If the rail competition is in respect of trans-continental rates you are not in a position to say.

A: No, what we are assuming is that somebody other than the railway should look at it.

Q: According to the law somebody else is entitled to look at it now.

A: I think so.

Q: Then you have no recommendation to make concerning a change in the law?

A: No, I don't think so as far as a change in the law is concerned.

Q: Now, you wanted to say something about agreed charges. Will you please turn to Page 13 of Chapter IX. You say at the bottom of the second paragraph, or you indicate, that agreed charges were not increased.

A: That is what we were told, yes.

Q: Who told you that?

A: I believe it was in Mr. Jefferson's evidence.

Q: Will you tell me where Mr. Jefferson said that?

THE CHAIRMAN: Pardon me a moment, what is the importance of agreed charges being increased? If they are agreed upon they are fixed in the agreement are they not? I am speaking to Mr. O'Donnell.





MR. O'DONNELL: Yes they are agreed upon for the term of the contract. For the term of the contract the charge is so much and cannot be increased while the agreement is in force. Most contracts provide for a cancellation notice and they are not infrequently renewed.

MR. COVERT: Mr. Chairman, I may say we might ask the railways all about this, because they could easily have an agreement which would provide that in an agreed charge the rates would go up by percentage increases the same as other rates.

THE CHAIRMAN: Are there any such agreements?

MR. O'DONNELL: There was one agreement I remember, from the McC 11 contract agreed charge which we discussed in Winnipeg, as your Lordship will remember. Your Lordship will there find that when the order was issued it provided that the agreed charge in that case should be increased by the 21% increase which had come into effect pending the time that that case was before the Board of Transport Commissioners for hearing.

MR. CHAIRMAN: That is not quite the point, Mr. Covert, because he says there is nothing to prevent you putting into your agreed charge agreements the provision that the rates provided for might be increased in certain contingencies which you might have.

MR. COVERT: I think, Mr. Chairman, as a matter of fact perhaps they are doing that now.

MR. O'DONNELL: That is right.

THE CHAIRMAN: You are putting that in your agreements now?

MR. O'DONNELL: Yes, I have here an agreed charge regarding petroleum products made between the Canadian National Railway and the Shell Oil Company of Canada,



effective August 29, 1949, and under the conditions attaching to the agreed charge No. 7 reads:

"The rates set out in Paragraph D of this agreement shall be subject to such increase as may be ordered by the Board of Transport Commissioners on the pending application for a general increase in freight rates, and such increased rates shall come into effect on the effective<sup>date</sup>/of the general increase so authorized."

In cases where agreed charges were being negotiated after the increase came into effect, then I think the railways endeavoured to obtain the maximum amount that they could and that proviso was to be read into the contract that if there were an increase in rates then the agreed charge should be increased accordingly.

THE WITNESS: That is exactly the point, sir. What has been happening with agreed charges, is, as we understand it, that they have been subject to the same increases which applied to the standard rates and not to the rates which applied to other competitive rates, the extra 15% and that sort of thing. We feel that the agreed charges are really competitive rates and special rates and should be handled like competitive rates rather than like a standard rate.

MR. O'DONNELL: What inquiry did you make as to exactly what the position is with respect to agreed charges and the increases which have been provided for in them?

A: Only the questions which we asked the railway witnesses in the 20% case.



Q: That is the only inquiry you made?

A: That is right.

Q: And you do not know anything about what is the position at the present time?

A: Other than what was in that discussion.

THE CHAIRMAN: I suppose an agreed charge might be made with a provision including contracts to another railway service.

MR. O'DONNELL: Yes, and water.

THE CHAIRMAN: But another railway I had . . . particularly in mind.

MR. O'DONNELL: The agreed charge can only be put in with the consent of the other railway as a matter of fact. Where another railway services the points covered in the agreed charge, then it must have the consent of the other railway.

THE CHAIRMAN: I see.

MR. O'DONNELL: The Board will not approve it unless that can be shown.

THE CHAIRMAN: Supposing it was an agreed charge from Winnipeg to Brandon, you must have the consent of both lines.

MR. O'DONNELL: That is my understanding, my Lord.

THE CHAIRMAN: Then is the shipper at liberty to ship on either line, or is he bound to the one line he makes the agreement with?

MR. O'DONNELL: The one he makes the agreement with, but usually there are joint agreements here.

THE CHAIRMAN: I beg your pardon, what is the meaning of saying that you must have the consent of the other railway?

MR. O'DONNELL: Well, the Act says that any such charge shall require the approval of the Board





and goes on to say that when the transportation is by rail from or to a competitive point, the Board shall not approve it unless the two carriers by rail join in making the agreed charge.

THE CHAIRMAN: "Join in making the agreed charge" do they mean to the same person.

MR. O'DONNELL: Joined in the contract, yes.

THE CHAIRMAN: Then is that person fulfilling that contract with you if he ships by C.P.R.?

MR. SINCLAIR: My Lord, they are negotiated by the Canadian Freight Association and it is a combination of all railway lines.

THE CHAIRMAN: I see, they are not to be negotiated by one railway.

MR. O'DONNELL: But where they serve competitive points.

MR. COVERT: Perhaps I should just say, Mr. Chairman, that my understanding of that is where it is between competitive points, the stock price was between railways.

MR. FRAWLEY: It may be desirable to clear up this point then. Can a shipper interchange his traffic from the Canadian National to the Canadian Pacific, one week to the Canadian Pacific and one week to the Canadian National?

MR. O'DONNELL: Yes, between one railway or more they can move on any railways who are parties in that agreed charge.

MR. FRAWLEY: There should be some provision as to how they share the traffic. I think it is more than a passing point.

MR. COVERT: I don't want to interrupt now, but



we have been talking two and a half hours this morning and we shall be three days behind the agenda. Saskatchewan is waiting to go on and has been waiting since Monday. It seems to me there will be plenty of opportunity when the railway people go in the box to get all the information about agreed charges. We have a witness in the box who says he does not know these things. We could talk things over between counsel and I am wondering if that is the quickest way to do it.

THE CHAIRMAN: Well, it seems to me some statement could be made by counsel that would clear it up. There may be a better opportunity Mr. Covert but the trouble is that the Manitoba brief makes statements about these things.

MR. COVERT: Yes.

THE CHAIRMAN: These charges and what not, and it is pretty hard to prevent Mr. O'Donnell questioning the statements they make in their briefs.

MR. COVERT: I am not trying to --

THE CHAIRMAN: I am quite aware, as you say, that there is a great deal of time that might possibly have been spared for which counsel are not to blame. Have you anything else on that, Mr. O'Donnell?

MR. O'DONNELL: I have just this one point. Apparently Manitoba looked into the situation very carefully when they made the broad statement they make in their brief.

THE CHAIRMAN: I think the Chapter comes down to this, that <sup>it</sup> is argued that once an agreed charge is put into effect then that same charge should be made available to all shippers of the same type of goods. Is that not what you ask for, Mr. Moffat?

THE WITNESS: That is one point yes.

MR. O'DONNELL: The Act is very clear about it.



THE CHAIRMAN: I know, but the thing is, whether the Act should be changed at all.

MR. O'DONNELL: I have not any submission to make whether it should or should not. I think it is clear it does apply to anyone who is interested. If it is not by way of agreed charge it is by way of fixed charge. Anyone who is interested who did not join in the original agreement may obtain a fixed charge.

THE CHAIRMAN: May obtain what?

MR. O'DONNELL: What is known as a fixed charge and that is provided for in Section 7 of Section 35 of the Transport Act.

MR. FRAWLEY: The Canadian National know all about fixed charges.

MR. O'DONNELL: Yes, we have a number of fixed charges. In any case anyone who is interested in coming in who did not come in the original agreement, can get the same terms and conditions and the same treatment.

THE CHAIRMAN: Without being bound by any contract?

MR. O'DONNELL: No, he has to assume the same obligation as the parties to the agreed charge have.

THE CHAIRMAN: That is, he must act on his contract or the portion of it agreed upon to the railways.

MR. O'DONNELL: That is right.

THE CHAIRMAN: In order to get this fixed charge?

MR. O'DONNELL: That is right. I am quite willing to allow the rest of the matter on agreed charges/<sup>to remain</sup>until the railways themselves appear.

MR. COVERT: I think Mr. Moffat indicated that there was something else besides what your Lordship put to him, and I just wondered if we might hear that.

THE CHAIRMAN: Of course it is a fact that whereas



they say these agreed rates can be made available to everybody, Mr. Shepard told us the other day that really what they intend is that these agreed charges should be abolished.

MR. SHEPARD: Yes, my Lord.

THE CHAIRMAN: That these provisions of the Transport Act should be removed.

THE WITNESS: Yes, we have had considerable discussion among people ourselves since that subject came up in that form.

THE CHAIRMAN: You are giving this in your brief and you have given us reasons, and Mr. Shepard has given reasons why you think these agreed charge provisions should be eliminated from the Act. Now perhaps the railways can tell us why they should not be eliminated from the Act, why they should be retained.

(Page 9530 follows)





THE WITNESS: I wonder if I could say one thing. There was a comment from the side to the effect that I hadn't gone as far as Mr. Shepard did, and I think we should get that clear in the record.

THE CHAIRMAN: Q. We are interested in what the Government of Manitoba wants.

A. It wants that these things should be made available to the small shippers along the line you suggested a few minutes ago, and secondly, in cases of an increase in rates, agreed charges should be handled in the same way competitive rates are handled, and it should be -----.

Q. Mr. Shepard said it would be better to abolish that. Mr. Shepard said, "Yes."

MR. SHEPARD: Mr. Moffat is saying the same thing I said only he is giving reasons for it. He says the Manitoba Government wants these rates made available to all people, and having made that statement the only way to do that is to abolish the agreed charges.

THE CHAIRMAN: Q. You want these provisions in the Transport Act removed.

A. Yes.

MR. SHEPARD: Yes.

THE CHAIRMAN: You want these provisions struck out?

MR. SHEPARD: Yes.

MR. O'DONNELL: Q. Is not one of the provisions that it will only apply where a competitive rate won't take care of the situation.

A. That is the provision in the Act, if in fact, that is being carried out exactly -----?

Q. Have you any doubt that it is?

A. Yes.

Q. On what do you base your doubt?

A. The fact that a good many of these agreed charges



were only raised 21%.

Q. They were raised up 15 and 20?

A. What about 8%?

Q. And some of them by 8%.

THE CHAIRMAN: These agreed charges were put in the Statutes of 1938?

MR. O'DONNELL: Yes, sir.

Q. Previous to that was there anything equivalent to that?

A. MR. O'DONNELL: No, my lord, they were put in for the benefit of the railways and to help the railways to meet competition with the trucks.

THE CHAIRMAN: It was to meet competition?

MR. O'DONNELL: Yes, my lord. In volume 45 at page 8757 there is an obvious mistake in the transcript.

THE CHAIRMAN: What about the printed page?

MR. O'DONNELL: This is the transcript of evidence, my lord.

"THE CHAIRMAN: I still think that something should be done about it, and that agreed charges should be abolished altogether."

I think we all agree that that is what Mr. Moffat said.

THE WITNESS: The Chairman, said, "You still think". "I" should be changed to "You".

THE COMMISSIONER: What was the answer?

MR. O'DONNELL: "The suggestion is that they should be made subject to the same conditions as competitive rates; particularly, that they should be made available generally, rather than to be handled as a separate category."

We will leave the agreed charges until we present our own evidence.



MR. O'DONNELL: Q. Will you please go to Chapter X, Mr. Moffat, to page 34.

THE CHAIRMAN; And the printed page is what paragraph?

MR. O'DONNELL: The printed page would be about 126 and 127, my lord.

Q. There you were referring to Exhibit 326 in the 21% case, which was an Exhibit prepared by you?

A. That is correct.

Q. And that Exhibit, I think we can agree, was very seriously questioned by the railways both as to the method you used and as to the results you obtained?

A. Yes, it was really questioned.

Q. I won't take any time, my lord, in discussing it further with Mr. Moffat other than to say that the 21% case discussion will be found in Volume 799, page 18445 to 18985. That is, so far as the Canadian National is concerned. Then, again, the argument in the 20% case will be found further in Volume 818 at page 47731.

MR. SHEPARD: That is your argument.

MR. O'DONNELL : Yes.

THE COMMISSIONER: Q. What is the meaning of this statement, "In the light of the changed grain rates in 1946"? What changes of grain rate do you refer to?

A. The rates in Eastern Canada, an increase of approximately 30%.

MR. O'DONNELL: Q. At the bottom of page 3 on the mimeographed copy, which is page 127 of the printed copy, you point out: "Grain rates have been excluded from this calculation for the reasons already mentioned."





What answer did you get when you worked the problem out with the grain rates included?

A. Much lower than this. That doesn't prove a thing. If you are trying to make a calculation of the rates that are paid by people in two areas, the rates in Eastern Canada are paid almost entirely by the people in the West and by U.K. under the U.K.contract. They certainly are not paid by Eastern Canada, and we would like to exclude all these types of rates.

THE CHAIRMAN: Q. When you say, "Eastern Canada", what do you mean?

A. This is the division at Fort William. The big bulk of the grain traffic coming to Montreal and other markets, the revenue from that sort of traffic in Eastern Canada is, by far, the bulk of the revenue from grain products in Eastern Canada and the increase on that rate structure is, we maintain, not equalization of the freight rate policy in Eastern Canada and Western Canada. That burden does not fall on Eastern Canada.

MR. O'DONNELL: Q. Your theory is that you would like to equalize everything except grain rates?

A. We would like to equalize anything that affects an area. You will have to admit that there are a very large number of cases where the conditions are so different.

Q. Why don't you look at the entire picture of the traffic in each region as compared with all the traffic in the other region?

A. The picture in that is profitability. The grain figures are not.

Q. Why should not profitability be looked at by this Commission to see if there was a fair picture?

A. We have a big section of profitability in the



East and West.

Q. You agree that that should be looked into and examined?

A. Oh, yes.

Q. That is on all rates?

A. Yes.

Q. And that takes in grain rates?

A. You are running two ideas together.

Q. What were the figures on which you worked the problem with the grain rates included in this computation?

A. It will take a minute to look it up. It was something about 2%, 2 or 3%. 3.2%.

Q. You have worked it out starting with that, I suppose?

A. Yes, it is very easy to do from Appendix B.

Q. You would have no objection to allowing anyone who might be interested in verifying the manner in which the computation was arrived at.

A. No, the point is that those figures are of no use if what you are interested in is the best estimate you can get of the rates that are being paid by the people in the two areas.

Q. Well now, did you find on arriving at that computation that the grain rates were considerably lower than normal rates?

A. This calculation has not anything to do with profitability. Grain rates are on the average lower than other rates, and so is the cost of handling it.

Q. By how much lower in dollars per annum are the grain rates than the other traffic?

A. It depends upon what other traffic you are looking at.



THE COMMISSIONER: I did not hear your question.

MR. O'DONNELL: I was asking the witness if he could tell the Commission by how many dollars a year, for instance, the grain rates are below the normal; what would be normal if the grain rates were in as they are.

A. You are asking me to define what is a normal rate?  
THE CHAIRMAN: Q: What would the normal <sup>be</sup> in that case?

A. How would you figure as to what was normal?

MR. O'DONNELL: Q. Would the domestic grain rate be normal?

A. No.

Q. Why?

A. Because it would turn a profit to the railways that would be fantastic if all the grain was moved at the level of the domestic rates.

Q. I take it, that as economic advisor to the Executive Council of the Government of Manitoba, you may have arrived at a figure by which the bulk of the covered grain shipments <sup>would differ</sup> if the grain rates were not in effect and normal rates were being paid on the grain?

A. You could make a calculation if you knew what is normal, what is the normal rate. Once that problem is solved the mathematical problem is not too bad.

Q. In the Alberta Wheat Pool, dated November 4, 1949, which is a bulletin issued by the Alberta Wheat Pool, Calgary, there is a chapter which, in part, reads: "Premier Campbell of Manitoba said last week that if grain rates are passed under the jurisdiction of the Board of Transport Commissioners increases were granted on the same basis as other shipments"?

A. Yes.

Q. The result would be that Prairie grain producers would have to discharge \$30 million on grain shipments?



MR. FRAWLEY: I want to say with regard to my friend's discussion about the grain rate that this is before the <sup>and is</sup> Board/sub judice.

MR. O'DONNELL: I will be glad to do whatever the Commission says I should do.

THE CHAIRMAN: Q. I understand that the Premier of Manitoba made that statement in Alberta?

A. If you are interested, I can give you the history of that.

MR. O'DONNELL: Q. I merely ask Mr. Moffat if you can tell us anything about that computation.

2 A. Yes, I knew the story.

Q. Did you make the computation?

A. Yes.

Q. Is it accurate?

A. The calculation is based on an exhibit of the C.P.R.; if the C.P.R. submission is correct that is the figure. We are not going to accept that figure; no.

Q. That is the way it was done?

A. Yes.

THE CHAIRMAN: Q. Then the Premier of Manitoba merely had in mind things said in the C.P.R. brief?

A. Yes, that is right.

MR. O'DONNELL: Q. Did you look at the footnote on page 188 in the Maritimes' submission?

A. Yes.

Q. The last paragraph?

A. Yes.

Q. What would you say as to the computation that Mr. Matheson made?

A. The mathematics are all right if you accept that measure of what the normal rate would be.





THE CHAIRMAN: What measure?

MR. FRAWLEY: The rate when the Crow's Nest Pass Agreement had been suspended by Parliament.

MR. O'DONNELL: I might read the footnote.

MR. SHEPARD: It is on the record; let us get on.

MR. O'DONNELL: I might read it.

THE CHAIRMAN: I read it before.

Q. The measure, as Mr. Matheson says, is the rate that was in suspension on the Crow's Nest Pass?

A. Yes, basically that is it. I wonder, Mr. O'Donnell, if I could interject here? That figure of 3.2% included the grain rate. I have a note passed up to me that that is based on the Eastern Canada tonnage only, but without that it would be 2.8?

Q. MR. O'DONNELL: Q. Turn to page 11, Chapter X, the printed page 132, my lord. You say there in the first paragraph: "Having done this, the test of regional profitability may then properly be applied to the problem of determining just how much of the cost of operating the national transportation system any particular region should be called upon to pay." How do you reconcile that with your theory of equalization; what effect would be derived in breaking the country up into regions and sections when you are asking for equalization?

A. It comes back to the point which we mentioned just briefly a moment ago. There are two kinds of rates involved. You have the rates for moving commodities where the nature of the traffic and operating costs and the various factors of that sort are reasonably contemplated throughout Canada as a whole. Class rates, rates for distribution out of cities, rates for moving commodities to be moved in relatively small shipments are about the same sort of traffic in all parts of the country. As to rates of that sort, we are asking that



they should be uniform across Canada as a whole. Then you have the other kind of traffic where it is just impossible to think of it being uniform across Canada.

THE CHAIRMAN: Q. Can you tell us some of these?

A. Yes, coal, for example. In Western Canada coal comes through the Prairies. In Eastern Canada it comes from across the border; trains are lined up and come over. It is a different kind of traffic. There is no possible way that you can make rates equal in the two areas. The grain traffic is another case. Our grain traffic in the west is completely different from the one in the east.

Q. That is not what you told us about grain traffic in the east; you say it is made up in the west?

A. Yes, but it is western grain, but you are moving it in a different way. In the east you are picking it up at half a dozen big terminals and running it through harbours and unloading it again at big terminals. It is a different kind of traffic although it is grain, but so far as the characteristics of the traffic is concerned, it is quite different and there is no suggestion that these rates should be equalized. Secondly, the profitability aspect of the thing must come into it again as a measure of the overall effect that you will get if you equalize those types of traffic that move on relatively equal conditions, and if you put any rates on these other commodities which seem proper in the light of all the circumstances for these particular commodities, then someone after that is in effect must stand back and look at this. How much money are you going to get on that structure; how much is it going to cost to provide that service? We say that, as far as Western Canada is concerned on this second measure, so long as the west pays its way and in return earns what is judged to be a reasonable profit and we were not asked to pay any more than what governs



the lines in other regions, we are satisfied.

THE CHAIRMAN: Q. You are outlining the procedure that you think the Board of Transport Commissioners should adopt?

A. Yes, it is an attempt to consolidate these three chapters.

MR. O'DONNELL: Q. Going to the next page of the mimeographed copy, page 133 of the printed brief, you say there: "There is no good reason why freight payers in one region should be penalized by higher rates in order that unfavorable railway operations elsewhere be offset," Is that not the kind of a trial that your theory has with regard to the equalization of rates?

A. No.

Q. Does not that consist of breaking up the country into sections despite the fact that the transcontinental roads are run as a system and the whole system has to operate?

A. It does to that extent require breaking it up.

Q. How do you reconcile that theory with the task that the Government Council has drafted for the Board of Transport Commissioners under P.C. 1487; which is with a view to determining a fair and reasonable rate structure which will, under substantially similar circumstances and conditions be equal?

A. Under similar circumstances and conditions they should be identical.

Q. How does your theory reconcile itself with that theory?

A. Just by what I said. Where there are substantially similar circumstances the rates should be identical, but where you have such a large volume of traffic it cannot be handled that way.





Q. In your theory you would divide the country into two sections, east and west?

A. Yes, we would like to see it divided more. At the present time so long as the one division is made we think that can be done. I think that the objective should be to keep things equalized on the profitability basis in these regions.

THE CHAIRMAN: Q. Then you would level all freight rates that would be quite independent of the level of freight rates in Eastern Canada?

A. Only on those commodities where the character of the traffic and the operating costs are different. On those commodities where the conditions are the same in each region, they should be the same.

Q. Your Division will go to the entire length and have stock rates, and so on?

A. We are asking that they be identical for the same rates and same conditions. On these other types of rates we have to look at the profitability as the final result of the whole thing.

MR. O'DONNELL: Q. You had a further refinement in British Columbia?

A. Yes, we feel that B.C. should pay their way and we pay our way. We are not asking the Board to do this.

Q. Carrying your theory to its ultimate end, you should ask the Board to do that?

A. You don't carry your theory to an ultimate conclusion. You have to take something that is practical; that may not be practical.

Q. Then Chapter XI, page 8, which is page 141 in the printed brief, you say: "Our suggestion is that your Commission should recommend that arrangements should be made whereby the Board can delegate its public hearing functions



on minor matters, either to one member of the Board or to a senior member of its staff, with a provision that any decision reached on such a basis would be subject to appeal to the full Board." Is not that virtually permitted by the Act at the present time?

A. Yes, I think so.

Q. You can sit with two of its members presiding and the Board can make such enquiries as you suggest?

A. I think the authority is there, but I am not too sure how often it is used.

Q. You will agree that the Act has pretty broad provisions for that kind of thing and the Act itself need not be changed?

A. I think so.

EXAMINATION BY MR. COVERT

Q. Now, Mr. Moffat, I will try to be as short as I can, but there are a few things I would like to clear up. First, if you will turn to page 48; that is the last page in Chapter I. I just wanted to clear up -----

THE CHAIRMAN: Is that page 48?

MR. COVERT: Yes, my lord, page 48.

Q. I wanted to find out and clear definitely for the record whether by reasoning it as a national instrument that you would mean that it included industry and freight rates on their products, and I understand the answer is no.

A. Yes.

Q. And the same should apply to all freight rates on depressive regions?

A. The answer is "no".

Q. I understand you to say that to use it as a national instrument is to prevent inequality?

A. Yes, sir, to bring about as far as possible equality; not simply the prevention of inequality but a



little more positive by bringing about equality.

THE CHAIRMAN: To prevent inequality?

MR. COVERT: Yes, my lord.

Q. Then, Mr. Moffat, would you turn to page 58 of the printed brief? I am sorry. There was one question on page 56. That is Chapter II and I think it around page 12, which is page 56 of the printed brief. It is right in the middle of the printed page: "For this reason we feel that your Commission should recommend that in any revised Railway Act there should be a clause which gives to the Dominion Government the responsibility and the authority to disallow or to vary any order of the Board." I am not going to get into any discussion, but I just want to know if there is any similar provision in the Public Utilities Act of Manitoba.

A. I don't know; I will have to look that up.

THE COMMISSIONER: You are referring to Section 52, subsection 1?

MR. COVERT: It may be there, my lord. I wanted to find out whether or not in the Public Utilities Act of Manitoba there was a similar provision whereby the Government Council could overrule any position.

MR. CHAIRMAN: Q. Is there anything there, Mr. Moffat?

A. I don't know; I will have to look it up.

MR. COVERT: Q. Just one little question on page 58, on the question of whether the Board has been freed from the restrictions of previous decisions. You have not undertaken to have any examination made of the decisions and show the line of principles or a decision that you think should be voided or discarded?

A. No, I certainly haven't and I don't believe our Counsel has either.

Q. On page 59, that is Chapter III, and towards the





bottom; "The view of the Government of Manitoba is that since one of the fundamental facts underlying this whole problem is that the people of Canada must pay for this transportation service, it follows that the people of Canada as a whole have a right and a duty to insist that the standard of service which is provided is satisfactory ..... " You raised a point the other day that there would be different standards of service in different territories.

A. Yes.

Q. I wondered, perhaps, if you were thinking of physical standards of service or whether you would recognize it because it was a different standard of service and since the responsibility was to place it directly in the hands of the B.T.C. that it should be a different standard.

A. No, there is no suggestion in here that the Board should try to bring about an equal standard of transportation service in different provinces or in the different parts of the country but the complaint is that the Board should have what it always has, the power to set minimum safety tests and in the other cases in considering an increase they should not automatically accept the standard that is prepared for them, and automatically carry out a calculation to give out the rate.

Q. Will you turn to page 63, which is Chapter III. At the bottom of the page you deal with: ".... continuous attention to this matter and that in considering the level of freight rates to be established, it should take into consideration the possibility that further improvements in railway operating techniques ..... " and so on.





I think you will recognize that if that were carried out literally that the Board would have a tremendous staff.

A. There is no idea of a tremendous staff involved here at all. It is what the present staff might handle. It might call for the increase of one or two engineers.

Q. It does seem to me from what you say there one might assume that you were suggesting that the Board might, perhaps, be telling railways, "here is something new in the way of operating technique that we want you to put into effect." You do not mean that at all?

A. No.

Q. And I suppose that the staff you have contemplated, you say one or two extra.

A. Yes, we have discussed to some extent in the final chapter the question of a staff, and made the suggestion that the present staff of the Board itself, including the Commissioners and their senior technical men, might be strengthened somewhat, but in the case of a major problem they should have a contract for outside consultants for a particular problem rather than try to build up a big staff on a permanent basis.



THE CHAIRMAN: Wouldn't they be pretty busy just the same with all you suggest?

MR. COVERT: Mr. Chairman, I was wondering if I might clear it up with this one question. It seems to me that in the broad wording used in many pages of the Manitoba brief that it is possible to get an entirely different idea than what they have in mind. I want to put it this way to Mr. Moffat if I may. What you have in mind generally throughout the whole brief, perhaps, is the position that the Board of Transport Commissioners is perhaps - or I should say suffers during rate cases. You say they have no experts to advise them. Is that what you mean?

A. Particularly on the financial and economic aspect of it.

THE CHAIRMAN: That word "economic" is a very big word you know.

A. Yes, it is a big word. It covers a broad field, but it applies where, in our view, the Board in the past has not taken into account to a sufficient extent factors other than engineering and actual operation of the railway. They have not had a strong enough financial staff on the financial side and on the side which deals with any other such matters as prospects for volume of business, scope for further increases in prices and things of that sort.

Q. Who knows anything about further increases in prices?

A. Well, no one knows anything about it, but still, in making a decision someone has to guess, if you like the term.

Q. And that they should fix freight rates having in mind possible increases in price?

A. No, not possible. Not in that sense, but still when they come to set a level of rates, they have to reach some judgment as to whether it is likely that the present volume of traffic will continue, that wages will stay at their present



level, or will come down, that the price of coal and ties will stay where it is - nobody knows the answer.

Q. Who could enlighten them on what is going to happen in six months or a year?

A. Well, no particular person can. No one person can, but still they have to have some way of getting the best information, the best estimation, the best guesses that are available. The business man always has to go on that kind of information.

MR. O'DONNELL: I just point out this, My Lord, that the adjustments that the railways made depended not on what the future prices were, but were made on the facts, figures and costs that had occurred as at the date of the given increase which was asked for.

THE CHAIRMAN: I am afraid I may raise another storm here, but you do use language, Mr. Moffat, that does give rise to these things. You say "an economic staff" and so on.

A. Not necessarily a big staff, but certainly they have to take those kind of things into consideration.

Q. But a staff big enough that is going to know what is going to happen in the way of future prices and so on?

A. Not to know; they couldn't know.

Q. That is what you said?

A. No, to know the best information that is available as to what is likely to happen, that is as far as you can go in that field.

MR. SHEPARD: Perhaps I might just say a word following what Mr. O'Donnell said. In the rate cases the railways themselves, and I would think any business almost that existed, made some kind of a business forecast, and in the rate cases, they were forecasting their





anticipated revenues and expenses for the years in which the rates were being fixed, and I think that is what Mr. Moffat has in mind. It is not operating an ouija board into the far future; it is the matter of doing what is done in most businesses, to try and do an independent "guesstimation", if you want to call it on forecasting business during the current fiscal period.

THE CHAIRMAN: Then you would have the Board do that by the assistance of experts? They would call in a consultant?

A. Yes.

Q. Where would they find them?

A. To a very substantial extent I should think in the other departments of government.

MR. COVERT: Now, Mr. Moffat, would you turn to page 64 of the printed brief. There is just one question on this CN-CP question. I just wanted to make it clear. My understanding is that you do recognize that there would be grave difficulties in the suggestion Board <sup>that the</sup> of Transport Commissioners in a rate case would have to have the railways come in and say; "Now, show us what you have done" and put the burden on them. You recognize the difficulties there?

A. Yes, I said in reply, I think to one of the Commissioners, that we did not consider this particular paragraph to be very satisfactory, but it was an attempt to understand what looked like a very unsatisfactory answer to a very tough problem, and we thought, was an improvement to the Board of Transport Commissioners, an improvement over the present arrangement which calls for the report to go to Parliament or to a committee of Parliament. It is certainly not perfect by any means.



Q. And it would mean tremendous <sup>delay</sup> in a review case wouldn't it?

A. If they were to do a complete job in the middle of a review case, it would be impossible. They could not do it, but if there is someone on the Board's staff keeping an eye on the thing from time to time, and keeping reasonably close to the developments, then the Board could pay some attention to it, at least, and not ignore it entirely in a review case.

Q. What you really suggest now perhaps, is that the Board of Transport Commissioners should sort of be a watch dog over this, having the railways reporting to them what is taking place, and keeping an eye on it. Is that it?

A. Yes, I think the last sentence of the submission summarizes precisely the same thing that you have said,

"The effect of this legislation would be that in future rate cases the Board of Transport Commissioners will be able to take into account any evidence which is available with respect to co-operation between the two railway systems and the possible savings which might result therefrom."

Q. You don't mean that to hold up a decision?

A. No.

Q. Now, just one question on this chapter of yours dealing with rates because it arose out of the evidence. I believe it was put to you that possibly the provinces should be represented during wage negotiations and I think you said you did not know what Manitoba would do, but, I want to put it to you that that might raise severe conflixtions. Take from the point of view of the railway employee, every province might want to be represented; there would be a question even of fixing a date which would be agreeable to representatives?



A. Yes, we noted that same point when looking back through the transcript. There was no suggestion indicated - I believe that it was Commissioner Angus who raised the question but I did not intend to suggest that the Provincial governments or that any outsiders should take part in actual negotiations, but it does seem reasonable that if they have any views to express that would <sup>be</sup> relevant they should be able to express them. I had no intention of suggesting that the provinces should be represented when the railways are talking to the unions or anything of that sort.

Q. In other words, the unions should not have to negotiate with anyone else but their employers?

A. No.

Q. Now, in chapter IV, page 69 (it is in the long paragraph near the bottom of the printed copy, page 2 in the mimeographed one) you suggest that even if the corporate structure and capital charges of the Canadian National Railway should be reorganized it would still be impossible to use the Canadian National as a yard stick because of its uneconomic lines?

A. Yes, and for the other reason that is given in the next paragraph.

Q. I just wanted to find out if Manitoba did have any recommendation with respect to this matter as to treatment of these uneconomical lines?

A. No, in fact we have devoted our attention almost exclusively to the CPR throughout this whole thing, and we have not anything concrete to suggest about the Canadian National.

Q. It is Manitoba's belief that the Canadian Pacific Railway must always be the yardstick?





A. For the answer that is given here. Still a third reason summarized that.:

"Unless the level of Canadian freight rates is high enough that the CPR has a reasonable opportunity to earn a satisfactory return if operated efficiently, it cannot maintain itself as a privately owned enterprise."

Then we go on:

" On the other hand, if the level of the CPR earnings should be too high, we think that that will inevitably lead to demands for further control and probable internationalization, so as long as the CPR is going to be maintained as a private enterprise, it must be the primary yardstick."

Q. Now then, going to Rail and Non-Rail on pages 70 and 71, you in fact say that in the rail category should be included all activities which are an integral part of the railway transportation activities of the country, and I suggest that perhaps that does not help the commission and I wanted to know if Manitoba had considered each category of this and if they had any reasons why each category should or should not go into rail or non-rail.

A. You mean the particular group of assets?

Q. Yes, for example express and telegraph.

A. Well, the suggestion here is that express and telegraph and water transport facilities which are direct links between rail facilities (that would be the Vancouver to Victoria boat, and the Digby to St. John Boat) should be in rail. Then there are a couple of other cases mentioned that should be excluded.





Q. What I wanted to find out, was, if you had any reason in the case of telegraphs, why you say they are an integral part of the railway activities?

/ A. Well, a group of reasons. They are operated right on railway property, used very largely by the railways in connection with the handling of their own traffic, and such a substantial part of their activities is integrated in that way, that any attempt to exclude them would involve you in a series of almost- I was going to say "artificial" (it is hardly artificial) accounting arbitraries to get them out of the calculations. They are different, of course, in the present set-up.

Q. You see, take for instance dealing with hotels, I think you say "a careful and comprehensive study would be required to reach a final decision on such a doubtful enterprise as CPR hotels." What is the basis you use there? Or have you gone into that?

A. We have not gone carefully into any of that as a matter of fact. We have looked at the revenue and the profit from them, but the fundamental proposition <sup>is</sup> that whatever is done, they should both be handled the same way, and I think it is fair to say that even the doubtful ones in the last few years would not make a terribly important difference on the level of freight rates, whether they were in or out.

Q. I suppose you must look at it from the long term point of view and there must be sound reasons for putting one in one place and the other another place?

A. Yes.

Q. What I was wanting to find out was whether Manitoba had any help to offer. They suggested some study. For instance, if the railway owned a motor bus and truck company, should it be rail or not?



A. Well, there is an argument on either side. I don't think we should take too much time to get into it, but there is considerable merit in the other argument that these enterprises were bought out of railway earnings over a period of years, and that in the light of that, they should all be taken in.

Q. But Manitoba does not advocate that.

A. No, we are not advocating that.

Q. What I wanted to find out was the reasons why they would place any of these things in either the rail or non-rail category. For instance, if you have considered any specific reasons in the case of stock yards and grain elevators?

A. No, we think it should be an integral part.

COMMISSIONER INNIS: Before you leave the yardstick Mr. Covert, do you think it is fair to the Canadian Pacific Railway, to make it the yardstick?

A. I don't know about the word "fair" I think it is the only one that could work.

Q. Aren't you exposing them to all the obloquy which centres around it?

A. Yes, and you are forcing them to take the initiative on things on which somebody else might have been expected to take the initiative, but in practise there is not very much else you can do.

COMMISSIONER ANGUS: Have you considered it might work the other way, and that the shippers might say "The Canadian Pacific Railway is the yardstick. Give it the volume and keep down the rates."?

A. No, I have not considered that. I don't know whether that is very important or not. I think the chances are <sup>in</sup> the opposite direction to some extent for the reasons that Professor Innis pointed out.



MR. COVERT: Now then, at the bottom of page 71 there was one point where you said:

"Either your commission should undertake its own study, or recommend that the Board should undertake a study of the possible advantages which might result from a consolidation of the various corporate entities which own sections of rail lines which are operated as part of the CPR."

THE CHAIRMAN: Whereabouts on the page are you reading from?

MR. COVERT: 71, Mr. Chairman.

THE CHAIRMAN: Where?

MR. COVERT: 71 at the bottom of the page, the last paragraph. I wanted to know if Manitoba felt there was any advantage to a corporate consolidation of these enterprises as opposed to a completion of a consolidated statement.

A. As in so many cases of this kind, we have not been able to make a very thorough study of that problem. We are of the view, that the results would not be very great, that the savings would not be there. But as there are a few cases where certain obligations have been taken on on a perpetual basis, things of that sort probably should be limited when the opportunity affords itself. I put it approximately in those terms.

Q. Now, I will take you to page 80. That is Chapter V, page 7 on the mimeographed one.

THE CHAIRMAN: "Recommendations" ?

MR. COVERT: Just before that, at the top of the page right under "for locomotives, freight cars, and passenger cars", now, you suggest there that the only means set aside as depreciation has been such that if





continued year by year the amount which would be accumulated would be far in excess of the total cost of the equipment and you go on to say that it is too large and "in effect, the users of the service will be called upon to pay the full cost of the assets and a rather substantial sum in addition". Now, I just wanted to ask you if this would not also be true of a straight-line basis if the service life is substantially underestimated?

A. Oh yes.

Q: So long as you use the group basis?

A: So long as you use the group basis you will have that problem, but you can get much better information upon the approximate life in years than anything you can do on a mileage basis. That point is made a little further over in the chapter.

Q: And do you know whether or not the situation is today on a group basis? Is there a suggestion that it is more than depreciated even if they operate on a straight-line basis? Do you know how the railway itself handles this? They do it on a group basis and your suggestion is, I understand, that they may depreciate past the full life?

A: Yes, they will do that always on a group basis. That always happened. Some fall out short and some fall out long and it is relevant to the subject. If you take an average you always have some less and some more than that.

THE CHAIRMAN: What would be an alternative to that?

MR. COVERT: If you put it on a straight-line



basis what would you do about that?

A: That would not necessarily effect whether it was a group basis.

THE CHAIRMAN: What do you mean then as being opposed to a group basis?

A: We are not stating anything there?

Q: As a matter of definition?

A: As a matter of definition it could be done by taking each asset. We are not recommending that. That would be a big calculating job.

Q: You are not suggesting that?

A: No. There is another alternative which would be to take all the locomotives which are started in one year and handle them as a group. You could get various possibilities out of the thing but in any of them as soon as you are on a group basis this problem does arise that Mr. Covert mentioned.

MR. COVERT: Now, Mr. Moffatt, on the question of the user method and the straight-line method, I wanted to find out, do you think the Board should be left free to put in the user method, to insist or allow?

A: We are certainly not asking to have anything put in the statute. We are not suggesting in any way that they should put a provision in the Railway Act that it must be straight-line. On the other hand we would like to have a recommendation from your Commission that under present conditions you think it should be straight-line?

Q: Under present conditions?

A: Yes.

Q: Well now, I just want to make sure. Is that



not one of the things that you said the other day, that the Dominion Government should be doing from time to time?

A: We suggested that they should have the right to instruct the Board.

Q: Not only the right; you talk of what their duty is. You say they cannot escape from the obligation?

A: From the obligation to take the responsibility yes.

Q: You said the Act should be so worded that there would be alternatives offered to the Board but that the Dominion Government should on each occasion say -

A: I am sorry, sir, we did not mean to say they should on each occasion do it; we said we thought they should have the responsibility.

Q: The responsibility for what - for what the Board does?

A: Yes, but that does not necessarily carry with it that they should direct them what to do.

Q: How could they be responsible for what some independent body does any more than they are responsible for what the judges do?

A: Yes, it seems to me they could be; they would be responsible.

Q: I think your brief does say some place that there should be alternatives offered and that the Dominion Government should instruct the Board which alternative they are to pursue on a given occasion?

A: It says they may have the right to instruct.

Q: I know, but if they do not exercise the right they are responsible?



A: That is right.

Q: Then, if they are responsible they must act on their peril, they must either instruct the Board or not instruct it?

A: That is true.

Q: They would have to be watching the proceedings of the Board all the time?

A: Yes, I think so.

MR. COVERT: I think what the chairman has in mind is, in your evidence at page 8503 you said:

"THE CHAIRMAN: You think that is satisfactory do you?

A: Sir, I would not want to speak as to whether it is satisfactory or not from a legal point of view. The policy as conceded in the brief and by myself is to advocate that the policy ought to be decided on behalf of the Government.

Q: You think the Dominion Government should have the responsibility and the authority to disallow and to vary any order of the Board?

A: Yes - 'Furthermore, in cases where the Railway Act has laid down only the general lines of policy, the result will inevitably be that in many situations there will be several alternative policies...'

I think you are reading from the brief?

A: Yes.

Q: "In situations such as these we feel that it should be made clear that the





Dominion Government has the authority to designate which of those alternative policies is to be applied (that is the authority) we feel that the Dominion Government should have the power and the responsibility to take such actions - "

and I think the Chairman's idea is if they have the responsibility they should be continually supervising and directing if it is their responsibility.

THE CHAIRMAN: Yes.

MR. COVERT: Now, I think we have about seven minutes. I would like to finish before lunch if we can, Mr. Chairman. Now, would you turn to Chapter VIII (that is on Page 108 Mr. Chairman) - that is Chapter VIII Page 5 of your brief:

"We would, therefore, suggest that your Commission should very carefully examine the rates of taper which are now embodied in the different Canadian rate structures."

I simply want to know if you feel that this should not follow from the general freight rate investigation now being conducted by the Board of Transport Commissioners?

A: That is a question of who has the best staff to some extent. At the time when this was written the thought was that this Commission would have a staff that would be dealing with that sort of a problem and it seemed to us that a commission which is more or less unfettered, if you like it, past commitments and past decisions would be a preferable body to lay down the general line to be followed in this case of rates of taper and that in order to lay down those general lines,



it would require a considerable amount of study by your staff.

Q: Will you turn to Page 111, Mr. Moffat, and that is at the top of the page and it is in connection with the horizontal increase. I want to find out if Manitoba thinks that the statute should provide something specific about horizontal increases. My understanding is you do not say that there should not be percentage increases; what you say is that they should not be straight percentage increases right across the Board?

A: All the time.

Q: Do you think the statute should say something about that?

A: No, this is a case where it seems to us that the statute should not restrict the policy which is to be adopted in any way.

THE CHAIRMAN: That is that horizontal increases should be allowed?

A: Yes, or that the alternative should also be allowed and that it should be left open under the Act but this is a case where it might be very desirable to have a directive from the Government upon occasion.

Q: You mean the Government might say "Now this year you are using horizontal increases and the next year you will go back on that and use some other kind."?

A: I think that is very desirable in this particular case because in this particular case if - - -

Q: I wish somebody would tell me where the Government is going to get the time and the ability to do these things. Could you answer that?



A: I don't know where they get the time and ability; they do have to deal with these big most important problems of economic policy.

Q: But this is a matter, you say, of horizontal increases?

A: Yes.

Q: That the Act should keep on allowing them if they are judged advisable, but instead of the Board it is the Government who are to say whether from time to time they are to be advisable. That is what you say. In other words, the Act is being administered in this respect by the Government and not by the Board?

A: Well, the alternative is to put it in the statute and I think it is undesirable to put it in any statute that they must sometimes use horizontal increasee and sometimes use a straight increase of so much per ton.

Q: You see, Mr. Covert, Mr. Shepard has told us that he intends to talk to us again about these things. That is what you said the other day is it not? You said you were going back to Manitoba?

MR. SHEPARD: Yes, that is correct.

THE CHAIRMAN: We must not mistake the importance of it, you see. This is not the time to make a disposition on the subject but you know that away back fifty odd years ago it was determined that the Government of Canada was not equipped to do this kind of work, that the time had come to make a change. Now, if that was the case so long ago, having regard to the circumstances that surround the Government today, how can you say without very very strong proof to the contrary that we should go back now and have the Government do these things which it was held in 1897 they were really not qualified to do and the





reasons were given. The reasons given were these:

- "The Government has a dual function - political and administrative.
- (2) There is no continuity of tenure.
  - (3) There is lack of technical training for the work (I am sure of that).
  - (4) The lack of migratory organization renders it impossible to deal effectively with smaller complaints.
  - (5) The distance to be travelled by the complainants makes the expense great."

Governments change, Ministers change, and you have as a condition now a statute which creates a Board and gives it all the powers of a court of record. It makes its members independent of Government interference by putting them in the same position as judges. They cannot be removed except by address of the Senate and the House of Commons. Everything is done to make them an independent Board, to disassociate <sup>the government</sup> from their administration of the Railway Act. It would take a very strong case to show us today why all that should be gone back upon, that the Government should again be made today what it was during the ineffectual days of the last decade of the last century. But that is what Manitoba is asking for, you see.

MR. SHEPARD: I do not want at this stage to try to express my personal interpretation as indicated in that brief but I am glad that this matter has come up this morning so that we can discuss it with the Government when we are back there later this week.

THE CHAIRMAN: I do not say the position is impossible of achievement. Perhaps you can show me where the Governments are better equipped today than they were in the last century to do this, that this Board should be



manipulated in a way that would make it a pure function of Government.

MR. SHEPARD: I do know the intention of the brief is not to go back as far as Your Lordship is now suggesting but as I say I do not want to embark upon a discussion.

THE CHAIRMAN: You will have to read not only the brief but the evidence given by Mr. Moffat the other day. I must say the thing is impossible. If anything is possible I would like to know about it and it would take a very strong case so far as I am concerned anyhow to ask us to go back to a state of affairs which was found so unsatisfactory more than half a century ago.

COMMISSIONER INNIS: The feeling running through your whole brief is it not, is that the railways have become too powerful to be controlled by a single Board?

MR. SHEPARD: I think I might put it this way, that the railways have become such a large factor in our national economy that they must be controlled by the Government of the day to some extent.

COMMISSIONER INNIS: And that is why you are appealing for some sort of solution other than the present?

MR. SHEPARD: Yes.

--

The Commission adjourned at 1:03 p.m.  
to meet again at 2:45 p.m.

(Page 9570 follows)



AFTERNOON SESSION

Tuesday, November 22, 1949.

R. E. MOFFAT, recalled:  
EXAMINATION RESUMED BY MR. COVERT:

Q: Mr. Moffat, would you turn to Chapter IX, which is Page 114 of the printed brief, where you say:

"It is not good enough simply to take the position that the rate structure has always had elements of discrimination and that those discriminations should be continued until someone proves that they should be removed. Our submission is that each discriminatory feature should be examined in the light of present circumstances",

and that there should be an examination by the Board to eliminate discriminations.

A: Yes.

Q: Now, I suppose that in effect, in a statutory manner, might be quite difficult.

A: Yes.

Q: It seems to me that what you are really saying is that the B.T.C. has not acted enough on its own initiative.

A: Yes, that is correct, and I think that this sort of complete review that is suggested here might be a fairly big job once over, and then once having done it it would not be a great deal of additional work beyond what is being <sup>done</sup> now, but it might be in the nature of a general investigation almost with a fairly complete job being done in the first instance.

Q: Now, the usual practice in most countries is



the practice that is followed here, that changes are made by way of complaint, and occasionally I think it has been done here in this country.

A: Oh yes.

Q: The Board on its own initiative.

THE CHAIRMAN: The brief says we should recommend to the Board that they maintain a constant review of the discriminatory features.

A: Yes. I mean that in the first instance that would be a fairly big job of a general review, but once having done that then the sort of review that would be involved would not be nearly as big a job year by year or month by month.

Q: In other words, can I put it this way. You say that if there is a general freight rate investigation everything is pretty well fixed up and from then on they could keep a fairly constant watch on all rates.

A: And particularly competitive rates.

THE CHAIRMAN: Particularly what?

A: The competitive rates.

Q: When you ask us to make a recommendation to the Board, you see, you are on delicate ground there so you ought to be specific in what you ask us to recommend to the Board. In the brief you simply throw things at us and say to us "recommend something to the Board". Do you ask us to recommend to the Board that they maintain a constant review of the discriminatory elements so that each will be eliminated. That is what you ask us to do.

A: Yes.

Q: Do you mean that?

A: Yes.

MR. COVERT: And I take it Mr. Moffat you are not satisfied with the method whereby changes may be





brought about by complaint, because what you say is that those are mostly cases of unjust discrimination.

A: We are not satisfied with a situation which leaves the matter to complaint to the extent it has been left in the past. We think there should be some more initiative taken on behalf of the Board without waiting for complaints.

Q: And I suppose that that again depends on the particular Board in existence from time to time, or largely depends on the personnel of the Board.

A: It would, to a large extent, yes. I don't think it would necessarily determine the whole thing, but the personnel of the Board would have a considerable amount to do with it, yes.

Q: Now there is one point on that same page, at the bottom of Page 114 where you deal with the large accumulation of sub-standard "competitive" rates, and there is one point I wanted to clear up on that. Is it your suggestion that even if they are compensatory, they might still be sub-standard and they should still be raised, if they can be raised, and the railways still keep the traffic. Is that your point?

A: It should be whichever of those two criteria give you the highest rate which should be the one to determine. They should in no case be lower than either of those criteria will specify.

Q: Now, dealing with trans-continental rates, Mr. Moffat, there has been furnished to me a copy of the mimeographed letter that I think perhaps is the one that was referred to this morning.

A: Yes.

Q: I was wondering if we could get a number of copies, if they are available, so that we could file it



as an exhibit.

A: I am told there is a substantial number of them.

THE CHAIRMAN: What is it?

MR. COVERT: It is a copy of a letter, Mr. Chairman, dated June 9, 1949, which was under discussion during the evidence this morning. It is a mimeographed letter signed by Mr. Moffat and it is a memorandum re proposed increases in freight rates from Eastern Canada to Vancouver.

THE CHAIRMAN: Who is it addressed to?

MR. COVERT: It is not addressed to anyone, Mr. Chairman, it is on the letterhead of the Manitoba Department of Freight Rates, and I thought perhaps that would clear it up for the record and make it complete.

THE CHAIRMAN: Are you making this an exhibit?

MR. COVERT: I would like to make it an exhibit.

EXHIBIT 123: Copy of mimeographed letter signed by Mr. Moffat re proposed increases in freight rates, Eastern Canada to Vancouver.

THE WITNESS: That is the letter which was referred to by Mr. Shepard this morning, based on information which came to us in view of the fact that Mr. McLean happened to be on the mailing list of the Toronto Board of Trade.

MR. COVERT: Now, then, just one point about the agreed charges. My understanding is that you say in effect that they should be repealed, that that is the view of Manitoba. Now if they were not repealed, I just want to find out, <sup>that</sup> there should be two things: one, that they are compensatory, and, two, that they should bear their share of increases.



A: And that there should be some provision to make them available more generally to other firms.

Q: I think that phase of the matter clears up a doubt. It seems to me we have made out the position of Manitoba which is to repeal, and what should happen to them if they are left.

THE CHAIRMAN: Are you talking of agreed charges?

MR. COVERT: Yes.

THE CHAIRMAN: You want them made available to all shippers once they are established? That is what your brief says.

A: Yes.

Q: I don't know how that fits in with Mr. Shepard's statement that they should be abolished entirely.

MR. COVERT: Mr. Chairman, my point was that there are two things <sup>which have</sup> occurred to me which might happen - I suppose there are three. One, that they would be left as they are; two that they would be abolished altogether; and the third, and this is if agreed charges are still to stand, that Manitoba might have some suggestions as to what would happen in that case.

THE CHAIRMAN: How will they know whether they are to stand or not?

MR. COVERT: They might make a recommendation to this Commission.

THE CHAIRMAN: In advance?

MR. COVERT: In the alternative.

THE CHAIRMAN: That is, then, that everybody partake of them.

A: Yes, and that they be measured by the same criteria as competitive rates with respect to whether they are paying their expenses.

Q: Then will the shippers who have not signed





the agreement have access to these rates without having to comply with the agreement? The agreement binds the contractor to ship the whole or a portion of his freight by the railway?

A: Yes.

Q: Would you say that all the other shippers then should be in that position or would they be free just to do what they liked, use the railway and get the low rate, or have not you thought that out yet?

A: If the rate is compensatory in the first instance, assuming it is a proper rate otherwise but still it is an agreed charge, it is a contract made between the railway and a shipper and the shipper has covenanted to ship either the whole or a fixed portion of his freight by railway.

A: Well -----

Q: Now then, you say that rate then becomes public property and all shippers can use it.

A: Yes.

Q: But without having signed any agreement, is that right?

A: Yes, I think so.

Q: They can use it for all their goods or part of their goods, whereas the man who made the contract must provide what he said he would provide.

A: That is what we would like to see.

Q: The man who makes the contracts is worse off than the man who does not?

A: Well, to this extent, that it is equivalent to making it into a competitive rate available to everybody.

Q: Except to me.

A: He would not sign a contract, I doubt very much



if anyone would sign a contract under those conditions.

Q: His contract may bind him to give one half of his freight to the railway or three quarters?

A: If he has an existing contract, yes, but if he is coming to a new contract in negotiation, what would be the effect probably would be that he signed -----

Q: Anyway you say they all should have that without being obliged to ship any portion of their goods whatever.

A: Yes.

MR. COVERT: Turn to Chapter X, Page 127 of the printed brief. In the penultimate paragraph the last few lines say:

"We strongly urge that your Commission give consideration to this problem of comparing rate levels and that it either develop a method itself or adopt one which it feels to be satisfactory".

I just want to ask you, Mr. Moffat, you know there are various methods that have been suggested and tested.

A: They are of great variety, yes.

Q: I think that all of them are criticized quite severely.

A: To the extent that any statistical tabulation is going to be criticized, yes.

Q: And I suppose it is pretty safe to say that no region would be entirely satisfied with any study that it develops.

A: No region would be entirely satisfied, no one will ever be completely satisfied with any statistical calculation. Still it does seem to us that we ought to reach some settlement of this argument which has been going on for fifty or sixty years. There should be some serious



attempt to arrive at what is the best that is available to measure this thing.

Q: It is suggested that if they do arrive at one like that, then immediately within a region within some province for instance, they will say "now we are here let us apply", and then some get to this province. Is not that going to be one of the problems?

A: That is right.

Q: You are immediately going to start to get small regions and small regions within the province?

A: I don't think you are going to start that. You have that already. I don't think it would be any worse or any better. You have it already in every case, every commodity, that as soon as there is an application on it someone says "the rate on this commodity is higher than on that commodity". The problem is there; the only thing that is not there is some serious attempt to set down the best method of measuring.

Q: It may accentuate the problem I suggest.

A: I don't think so, sir. The problem is there already and in a very complex form.

Q: Now turn to Chapter XI, Page 137, and at the very bottom of the page you say:

"The objective of the Manitoba Government in suggesting that your Commission should recommend simplification of freight rates and freight tariffs, is the elimination of the time and expense which is involved for shippers in their efforts to calculate the rates"

And so on, and you go on in the next page, 139, that the Manitoba Government gets down to the point where they say that there should be two types of rates. It is in the first



paragraph:

" ..... two types of rates, namely  
class rates, embracing the type of  
rates which have been discussed above,  
and 'other rates' "

so that you would have it simplified to the extent that you  
would have class rates and all the rest would be "other rates".

A: Yes sir.

Q: I just want to ask you first if you know of  
any place where this had been tried.

A: No, I do not.

Q: Do you know if there are any places where the  
rates are more simplified than they are in Canada?

A: No, I am not familiar with anywhere else except  
the Canadian rate structure.

A: You think that the Board of Transport Commissioners  
(perhaps I should not ask you in the singular) do you think  
the Board of Transport Commissioners would be in favour of  
a simplification of the rate structure?

A: Yes, but the present Act adds to the problem  
to some extent because it speaks of standard rates, special  
rates, and competitive rates and then you have separately  
agreed charges, so that right in the legislation itself at  
the present time, there are things to right, as it were,.

Q. Would it make any difference to having a classi-  
fication of "other rates" if you had the class rate and  
"other rates" and you would have to have such things as  
competitive rates?

A. Yes, but you would have this too, that the  
class rate structure as we are suggesting it here, would  
extend downwards so that it would take in more commodities  
which would be a definite simplification. The mere setting  
up of the name "other rates" will not in any way simplify





the problem of knowing just exactly what the jurisdiction of the Board is as to these rates, and the problem that is encountered now from time to time, of not knowing whether a particular rate is a commodity rate or competitive rate, or just what authority is involved, and whether the rate can be changed with or without the authority of the Board of Transport Commissioners. With that sort of thing, there would be simplification by putting it into one group, but there would be no simplification in the sense of eliminating the number of rates, that would be the same.

THE CHAIRMAN: You would cease to have any <sup>called</sup> rates, /commodity rates. They would all be called "other rates"?

A. Yes, and would all be subject to the same degree of control and the same criteria for changes.

Q. Who was it recommended the other day that the number of classes of rates be extended so as to include commodity rates?

A. That was in this brief.

Q. Well then, which do you ask for?

A. Both, that so far as possible more commodity rates could be taken into the class rates. To the extent that that can be done it should be done.

Q. Pardon me, do you mean into the class rates as they are now?

A. No, by extending some more classes at lower rates.

Q. You would have 11, 12, 13 and 14, would you?

A. Yes.

Q. That is what I understand, and with everything in the same class?



A. No, but a substantially larger proportion of the traffic should go into it. Those which could not be taken into it, would have to go in the other.

Q. I thought somebody told me there was a scheme by which commodity rates should be in a class?

A. No.

Q. So that commodity rates would remain unclassified?

A. Some of them.

Q. If some are, and some are not, how are you going to differentiate? You say here "other rates". You mean, competitive and commodity rates?

A. Yes.

Q. There are other rates <sup>but if</sup> some of these commodity rates are in a class with other goods, how are you going to unravel all that?

A. What you would have to do is to go through it, establish an additional class, and then say that those commodity rates, which, as we conceive it, would be mainly the commodity mileage rates, would go into the class rate structure.

Q. Now you say here that the commodity mileage rates should be thrown in with the competitive rates and should be called "other rates". Now you say the commodity rates, not the commodity mileage rates. You see, in addition to the class rates, and commodity mileage rates, there are in the rate structure several varieties of competitive commodity rates, and those are the ones you say ought to be classified as "other rates"?

A. Yes.

Q. Whether they are competitive or commodity?

A. And the agreed charges would be a group together



subject to the same control and the same criteria.

MR. COVERT: Now I want to take you back to page 120, just for a moment, and this is in the second paragraph of Chapter IX in which you say:

"In other words, we feel that your Commission should recommend that standard mileage class rates, distributing class rates, and town tariffs should be consolidated into a single uniform basic class rate structure applicable to all parts of Canada, and that any deviations from that uniform pattern should be treated as exceptions subject to the tests which have already been suggested."

I just wanted to know what Manitoba would recommend with respect to the assumed mileage, in that case?

A. The assumed mileage comes into effect in the rate from Fort William to Winnipeg. The important rate there, so far as Winnipeg is concerned, is the rate, the through rate from the Toronto - Montreal area to Winnipeg, which is an important area, that is Petrolia to the head of the Lakes and the assumed mileage. It is our contention that the total of that rate from Toronto and Montreal into Winnipeg is affected by water competition through a substantial length of haul and that it may be fully justified in those terms under the criteria which we are suggesting here for competitive rates, and that the rates should be handled as a competitive rate, and if there is to be an investigation of it, those are the criteria which should be applied.

Q. In that case then, the assumed mileage would never be necessary and would go by the board.





A. The assumed mileage as it is now operating is, so far as Winnipeg is concerned, exactly equivalent within a very small fraction to a distributing rate.

Q. But it is urged in some of the brief that it creates an anomaly under its present method of operation.

A. To the extent that it creates an anomaly it would have to go under general competitive rate criteria and be justified in accordance with those criteria.

THE CHAIRMAN: It does not apply to grain, does it?

A. No.

Q. There is already, is there not, an assumed mileage rate between Calgary and Vancouver?

A. Yes.

Q. Which is the other way round, and it increases the actual mileage?

A. No, it decreases it in the same way.

Q. Well, I mean the actual mileage from Calgary to Vancouver and the assumed mileage bear what relationship to each other, which is the longer?

A. The actual mileage is 126 miles longer -- is that the figure?

MR. SINCLAIR: 130 miles.

THE CHAIRMAN: Longer than the assumed mileage?

A. Yes.

Q. You say that mileage is deducted from the standard mileage scale so that it brings out a rate which is fairly comparable to the distributing class rate which applies to all shipments out of the other cities of western Canada?

A. So far as Winnipeg is concerned, it comes out almost exactly to the same rate.



MR. FRAWLEY: I think Calgary has no significance there. The standard mileage is between Vancouver and Glacier, British Columbia., and some 130 miles is taken out, whether or not one could say it is between Revelstoke and Vancouver, or Regina and Vancouver, but you are quite right, that it is the same kind of thing as exists at the Lakes.

THE WITNESS: We certainly would not want to put any interpretation on this to the effect that we are advocating that they should be eliminated, or that we are agreeing that it should be eliminated. We are saying we think it can be justified on its present level in terms of competition. We think that the actual rate through from Toronto and Montreal area to Winnipeg should stay where it is, that we can justify it in terms of competition.

(Page 9590 follows)



Q. The rate structure, if it is to be uniform, as suggested, it could be constructed, I suppose, without taking into account that estimated mileage, what you are saying is that we can justify it on the basis of wanted competition?

A. Yes.

Q. Mr. Moffat, would you turn to page 140, Chapter XI, page 7 in the mimeographed copy, where you recommend or suggest that this Commission rule that the T.B.C. would have local representatives. Would there be ten men in Canada, and what would they do?

THE CHAIRMAN: Where is that?

MR. COVERT: It is on page 140, Mr. Chairman, in the paragraph entitled, "Closer Contact with the Public".

A. We don't think that that should require a man in each province. We think that it could be handled by having men available possibly two days every second week in Winnipeg and having it become known that he would be there to discuss with the shippers and consider problems that they wanted to discuss with him. We think it would be undesirable to have such a person permanently staying in each area because he would then be out of touch with Head Office. On the other hand, we think he would be assigned to deal with that area, and if we could have two or three men in Head Office they would go out, more or less, on circuit and arrange that some communication be sent to the shippers as to when he might be available.

THE CHAIRMAN: Q. They would have to go all over Canada?

A. Yes.

Q. Do you think the same people can cover that territory?



A. It would depend on how often they were in that area. If they were going in two days every two weeks they might have one for the West and one for Central Canada and one for the Maritimes.

MR. COVERT: Q. That person would be in the nature of an adviser to people who came to him? I just wanted to find out what he would be expected to know and what he would be expected to do.

A. Primarily, he would be expected to know what the Board's interpretation of its regulations respecting tariffs is; to know what sort of information would have to be presented to the Board if a person was making an application for some change in his rate or in his classification or things of that sort. Existing offices are already there and available on questions of safety and operating conditions as distinguished from the questions of rates and tariffs.

THE CHAIRMAN: Q. They already have a building there?

A. Yes.

Q. In Winnipeg?

A. Yes.

Q. And where is that?

A. I am not sure where that is but I know there is an office in Winnipeg.

MR. COVERT: Q. In that same paragraph towards the bottom you refer to what you have in mind when you are talking about delegated public hearings. I want to suggest to you that the situation in the United States where you refer to the examiners, where, I understand, they have nine members on the Commission and have more area to cover and more railways that would be quite different





A. Yes, and with much more complete control. There is one point I might mention. You asked me a few minutes ago about the idea of simplification of the rate structures.

THE CHAIRMAN: Q. You just told us that the Board of Transport Commissioners had an office in Winnipeg?

A. Yes.

Q. A permanent office?

A. Yes.

Q. Where is it in Winnipeg?

A. It has just moved recently on Portage Avenue.

Q. It is not in either of the railway stations?

A. No, it is on the north side of Portage Avenue.

The point I was going to make is that in the United States on the question of simplification of rates, for practical purposes they do deal in terms of class rates and expansion rates somewhat along the line of class rates and other rates.

Q. The Americans do that?

A. Yes.

Q. Why do they do this?

A. Their whole rate structure is based on that.

MR. COVERT: Q. I have one more question, and that is in connection with the last page, I believe, of Chapter XI, and that is where your suggestions are with respect to annual reports by the Railways to the Board and to the Dominion Bureau of Statistics, and I want to take you to the term where it says:

"Reveal changes in the different asset accounts during the period, and in the related reserve accounts; "



I think you have examined the Canadian Pacific Railway accounts, where they deal with this matter and show additions and betterments and retirements and transfers, and your view is that that is not satisfactory to you the way it is now because they just put them in lump figures.

A. Yes, we would like to see a somewhat more detailed chart along with Exhibit A in the 30% case. The figures were worked out there by our Accountants after going through the books.

Q. As to these eight items that you list on page 144 and 145, you say that similar information is provided in the United States to the I.C.C.?

A. In every case, I think, with the possible exception of the regional breakdown, their regional problem is different from ours. Their regional breakdown is based on looking on the rates that are in that region. That matter is available in the United States.

MR. COVERT; That is all I have to say, my lord.

MR. SHEPARD:

There is no re-examination but I want to put on the record some references. It is in connection with a statement Mr. Sinclair made on the opening on Friday, the 18th which is found in Volume 48 at page 9098, in which he quotes one question and answer which a Manitoba accounting witness, Mr. MacDonald, made in the 21% case dealing with the matter whether retirement accounting was practiced on the C.P.R. I do not propose to go into the matter with the exception of some other references that should be looked at. The first one is at page 12541, which is the following page from where Mr. Sinclair quoted Mr. MacDonald as to his qualifications and the answer he gave and then in Volume 774, pages 13051 to 13067, and pages 13112 and



13113, and then the argument by Mr. MacLean on behalf of Manitoba in the 21% case, Volume 784 at page 16941, and I would like to read one short excerpt from that argument. Reference to Mr. MacLean's argument, which is in Volume 187 at page 44460, which submits that Manitoba's position has been sustained before this Board and before the other Board.

MR. COVERT: Mr. Chairman, the next submission is that of the Canadian Automotive Transportation Association, and at this time I want to tell the Commission that we are in a bit of a jam, if I may use the expression with respect to the Agenda. The Province of Saskatchewan's main witness, Mr. George Brintnell, for reasons must leave here Friday night, and as we had told Saskatchewan that we would probably reach them on Monday, they really had the first place on the Agenda. Some of the cases have taken longer than we anticipated and the result is that we have two ahead of them, and I have talked to Mr. Hume and he has kindly consented to break his case if necessary, but he has witnesses here from British Columbia and Alberta, and it may be that we may have to stand a man down and he will be cross-examined later, and put Saskatchewan on earlier. We are also faced with the difficulty about a second submission, and that is the Associated Newfoundland Industries Limited. We had told Mr. McEvoy, who is appearing for them, that it would be difficult and suggested that he would have to take his chances, but I think we encouraged him somewhat during the time when things seemed to be going a bit faster. So what I want to do, if we can, is to put our position so that at any time a witness may be taken out and he will be available for cross-examination later.





MR. HUME: Mr. Chairman, this situation was only explained to me at half past two and the situation at the moment is that with your permission I should like to put in Mr. John Magee who will read the statement of the Association and then, as I understand it, he will stand down and I have two persons who have come with some information and facts from the West and as Saskatchewan will probably take the remainder of the week I was going to suggest that they be permitted to tell the Commission what they have. It is a short statement in each case and that can be finished up this afternoon and they can get away so that they would not be here for another week. In the first place I will call Mr. John Magee. Before I ask Mr. Magee to read the statement there are some typographical errors and I supplied the Secretary with corrected copies and the words "Corrected November 21st" appears on the top and if the Commission have those corrected copies we won't take the time. I have a corrected copy for the reporter and there are extra copies.

Then, Mr. Chairman, as I undertook on November 2nd to file copies of the Constitution of the Association which I think is done in these cases, we have the copies of the Constitution.

THE CHAIRMAN: You are filing the Constitution then?

MR. HUME: I am about to do that now, my Lord.

THE CHAIRMAN: Has it been made an exhibit?

MR. DESMARAIS: It will be 124.

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EXHIBIT 124: Filed by Mr. Hume: ARTICLES OF ASSOCIATION  
Canadian Automotive  
Transportation  
Association.



MR. JOHN MAGEE, called      EXAMINED BY MR. HUME

Q: Will you proceed now to read the submission?

A: Yes.                      SUBMISSION

OF THE

CANADIAN AUTOMOTIVE TRANSPORTATION ASSOCIATION

The Canadian Automotive ~~A~~Transportation Association is the national organization representing trucking firms engaged in the movement of goods for compensation. The Association is a federation of six trucking associations with total provincial memberships of approximately 5,000 trucking firms.

Our six affiliated associations are:

Automotive Transport Association of Quebec

Automotive Transport Association of Ontario

Manitoba Automotive Transportation Association

Saskatchewan Motor Transport Association

Alberta Motor Transport Association

Automotive Transport Association of B.C.

Development of Truck Transportation

The invention and development of the internal combustion engine has profoundly affected the way of life of the peoples of the world. The truck has played a most important part in the changes of the last thirty years. The impact of this transportation medium has been felt in every home in Canada. The day before yesterday, Canadians depended upon the inland waterways for communication and transportation; yesterday, steel rails carried the nation's goods; I might explain, sirs, that the wording "yesterday, steel rails carried the nation's goods", is rather unfortunate. We were speaking figuratively and endeavoured to point up the newness of truck transportation as a form of transportation. To-day, the truck services every business, farm, home and community.



Canadians depend upon truck transportation for the very necessities of life. Whole communities have sprung up which are not served by other forms of transportation. It has been estimated by the Association that approximately 14,000 communities are not provided with direct railway service; of these 14,000 communities approximately 50 per cent are further than five miles from their nearest railway station. Every freight shipment moving in and out of these communities is transported part, or all, of the way to destination by truck.

The large urban centres depend upon truck transportation for a substantial portion of their food supply which is delivered daily from the surrounding countryside in tremendous volume. Decentralization of industry has been made possible and manufactured articles are now subjected to various processes in widely scattered centres and transported to assembly plants in large and small centres.

#### Role of Truck Transportation In Agriculture.

Expanding use of the truck as an instrument of distribution is particularly apparent in the realm of agricultural marketing. To sketch, even in outline, the extent and scope of highway transport services in the marketing of a wide variety of farm produce would be a monumental undertaking itself, involving a detailed analysis of separate commodity structures with the ramifications peculiar to each.

The movement of field crops, manufactured mill feeds, produce of the milk and fruit industries, livestock, poultry, eggs, fertilizers, phosphates, and other farm commodities, is peculiarly suited to the speed, flexibility and personalized service characteristic





of the truck.

The growth of the milk transport industry in every province since the turn of the century is a notable example of the advantages inherent in the motor vehicle. Prior to the advent of the motor vehicle, milk supplies were obtained from producer-distributors located on the outskirts of urban centres. These operators -- farmers who produced and sold their own milk -- made deliveries direct to the consumer. With the increase in urban populations, it became necessary to seek sources of supply farther afield with the result that producers located in a 10 to 15-mile radius, hauled in their own milk and that of their neighbours, by team, to consumers directly. With the institution of compulsory pasteurization, more stringent health regulations, and a greatly swollen demand for milk, dairies would despatch buyers along the railway lines, a practice which tended to concentrate shippers around villages where suitable train service was available or could be arranged.

As an aftermath of a reduction in rates forced upon the railways at this time by producer pressure groups, the railways for economic reasons showed only limited interest in providing milk train service. Furthermore, it became increasingly difficult to obtain a sufficient number of producers who were willing to haul their milk individually to the stations -- in many cases by 7:00 a.m. -- to meet the train. There was no train on Sunday and farmers were obliged to hold over their milk shipments until the next regular run. Attempts to have these men take turns waiting to load and unload cans were unsuccessful and gave rise to much local controversy.





4. Transportation by truck solved these problems to the satisfaction of both producers and distributors. With the introduction of speedy pick-up service at individual farms, and delivery direct to dairies, a great measure of stability was lent to the overall marketing process. The result was that the consumer received a better quality milk.

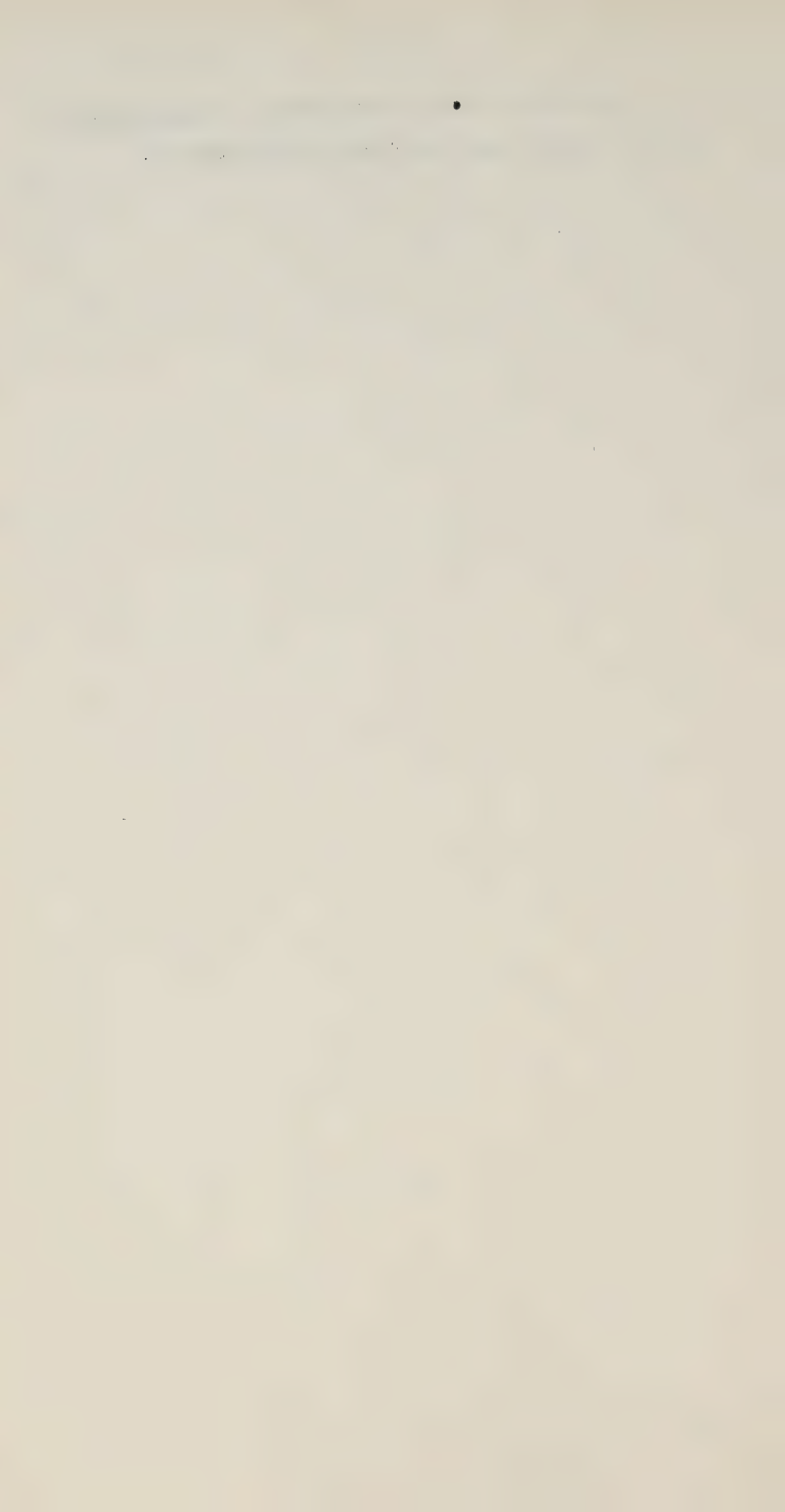
Today, truck transportation of milk has become recognized as an industry in itself. It is estimated that highway carriers transport from farms to rural and urban centres 95 per cent of the nation's milk supply.

'For hire' truck transportation of livestock is another important branch of the trucking industry. The livestock transporter has contributed to the growth of direct marketing by making interior packing plants and stockyards conveniently available to a much larger number of producers than would be the case if livestock were transported by rail. Truck transportation has proved more advantageous to local packing plants because of their proximity to the sources of supply and their varying degrees of remoteness from the concentration areas or public stockyards. The truck has made possible direct buying on a scale which cannot be approached or duplicated by rail.

In this category, too, the personalized services of the commercial motor vehicle carrier have materially assisted the producer in marketing his animals to best advantage. His daily contacts at packing plants and public yards, his familiarity with market quotations and his diagnosis of 'heavy and light runs' render his services of inestimable value to the producer who must, by the very nature of his occupation, trade in a future and variable market. Speed is of the essence here in timing deliveries to coincide with favourable market conditions.



The motor truck is the servant of agriculture --  
the best "hired man" the farmer ever employed.



| Province of<br>Origin   | C A T T L E |             |               |
|-------------------------|-------------|-------------|---------------|
|                         | Y A R D S   |             |               |
|                         | By<br>Truck | By<br>R. R. | % By<br>Truck |
| British Columbia        | 1,965       | 10,965      | 15.47         |
| Alberta                 | 106,972     | 124,190     | 61.33         |
| Saskatchewan            | 105,933     | 253,056     | 29.50         |
| Manitoba                | 66,437      | 71,785      | 48.06         |
| Ontario                 | 176,263     | 161,442     | 52.19         |
| Quebec                  | 32,444      | 20,905      | 60.81         |
| New Brunswick           | --          | 817         | --            |
| Nova Scotia             | --          | 424         | --            |
| Prince Edward<br>Island | --          | 1,099       | --            |
| T O T A L .....         | 580,014     | 644,447     | 47.36         |
|                         | C A L V E S |             |               |
|                         |             |             |               |
|                         |             |             |               |
| British Columbia        | 284         | 1,220       | 18.88         |
| Alberta                 | 33,065      | 14,772      | 69.12         |
| Saskatchewan            | 23,818      | 61,069      | 28.05         |
| Manitoba                | 22,566      | 18,844      | 54.49         |
| Ontario                 | 68,082      | 72,034      | 48.58         |
| Quebec                  | 54,940      | 40,769      | 57.40         |
| New Brunswick           | --          | 10,165      | --            |
| Nova Scotia             | --          | 1,300       | --            |
| P.E.I.                  | --          | 852         | --            |
| T O T A L               | 202,755     | 221,025     | 47.84         |





| Province Of<br>Origin | TO YARDS    |             |               |
|-----------------------|-------------|-------------|---------------|
|                       | By<br>Truck | By<br>R. R. | % By<br>Truck |
| H O G S               |             |             |               |
| British Columbia      | 266         | 1,065       | 19.98         |
| Alberta               | 13,048      | 148,505     | 8.07          |
| Saskatchewan          | 9,481       | 24,258      | 28.10         |
| Manitoba              | 16,179      | 11,026      | 59.48         |
| Ontario               | 127,806     | 71,112      | 64.25         |
| Quebec                | 136,036     | 62,417      | 68.54         |
| New Brunswick         | --          | 4,088       | --            |
| Nova Scotia           | --          | 122         | --            |
| P.E.I.                | --          | --          | --            |
| T O T A L             | 302,816     | 322,593     | 48.41         |
| S H E E P             |             |             |               |
| British Columbia      | 868         | 2,930       | 22.85         |
| Alberta               | 35,766      | 13,351      | 72.81         |
| Saskatchewan          | 10,182      | 37,196      | 21.49         |
| Manitoba              | 7,683       | 9,518       | 44.66         |
| Ontario               | 50,897      | 46,346      | 52.34         |
| Quebec                | 13,399      | 57,962      | 18.77         |
| New Brunswick         | --          | 2,236       | --            |
| Nova Scotia           | --          | 962         | --            |
| P.E.I.                | --          | 16          | --            |
| T O T A L             | 118,795     | 170,517     | 41.06         |



## Province Of

## C A T T L E

## Origin

## T O P L A N T S

|                         | By<br>Truck | By<br>R. R. | % By<br>Truck |
|-------------------------|-------------|-------------|---------------|
| British Columbia        | 12,070      | 28,954      | 29.42         |
| Alberta                 | 76,111      | 101,275     | 42.90         |
| Saskatchewan            | 34,597      | 51,162      | 40.34         |
| Manitoba                | 49,236      | 22,060      | 69.05         |
| Ontario                 | 112,214     | 57,480      | 66.12         |
| Quebec                  | 25,970      | 20,466      | 55.92         |
| New Brunswick           | 4,654       | 661         | 87.56         |
| Nova Scotia             | 292         | 3,388       | 7.93          |
| Prince Edward<br>Island | 399         | 2,963       | 11.86         |
| T O T A L .....         | 315,543     | 228,409     | 52.24         |

## C A L V E S

|                  |         |         |       |
|------------------|---------|---------|-------|
| British Columbia | 783     | 3,962   | 16.50 |
| Alberta          | 49,822  | 19,132  | 72.25 |
| Saskatchewan     | 8,396   | 12,801  | 39.60 |
| Manitoba         | 39,578  | 10,453  | 79.10 |
| Ontario          | 54,182  | 41,388  | 56.69 |
| Quebec           | 84,654  | 63,582  | 57.10 |
| New Brunswick    | 7,302   | 1,673   | 81.35 |
| Nova Scotia      | 364     | 947     | 27.76 |
| P.E.I.           | 309     | 2,468   | 11.12 |
| T O T A L .....  | 245,390 | 156,406 | 61.07 |



## Province of

## T O P L A N T S

## Origin

By  
TruckBy  
R. R.% By  
Truck

## H O G S

|                     |           |           |       |
|---------------------|-----------|-----------|-------|
| British Columbia    | 20,383    | 25,143    | 44.77 |
| Alberta             | 426,470   | 577,430   | 42.48 |
| Saskatchewan        | 81,712    | 241,106   | 25.31 |
| Manitoba            | 180,601   | 63,870    | 73.87 |
| Ontario             | 1,146,848 | 560,356   | 67.17 |
| Quebec              | 415,410   | 236,961   | 63.67 |
| New Brunswick       | 31,083    | 27,863    | 52.73 |
| Nova Scotia         | 4,271     | 19,144    | 18.24 |
| P. E. I.            | 31,877    | 51,923    | 38.03 |
| T O T A L . . . . . | 2,338,655 | 1,803,796 | 56.45 |

## S H E E P

|                     |         |         |       |
|---------------------|---------|---------|-------|
| British Columbia    | 7,391   | 10,129  | 42.18 |
| Alberta             | 34,405  | 108,863 | 24.01 |
| Saskatchewan        | 8,766   | 11,472  | 43.31 |
| Manitoba            | 30,679  | 6,505   | 82.50 |
| Ontario             | 71,295  | 26,091  | 73.20 |
| Quebec              | 40,150  | 72,201  | 35.73 |
| New Brunswick       | 4,177   | 9,047   | 31.58 |
| Nova Scotia         | 21      | 1,240   | 1.66  |
| P. E. I.            | 870     | 9,581   | 8.32  |
| T O T A L . . . . . | 197,754 | 255,129 | 43.66 |

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Importance Of Trucking Industry In War Economy

There is available for military use in Canada a 500,000 mile highway network, approximately ten times greater in extent than the existing railroad mileage. The value of truck transportation in modern warfare is patent. The part which the trucking industry would be called upon to play in the event that Canada became involved in hostilities on its own soil would be of the greatest importance.

Canada's transportation experience in World War II indicates partially, at least, the role of highway transport in any future conflict.

In 1943, according to incomplete tonnage figures compiled by the Transportation Division of the Dominion Bureau of Statistics, the trucking industry moved 11 million tons of freight. The Administrator of Services of the Wartime Prices and Trade Board estimated that the tonnage movement of the entire trucking industry in 1943 amounted to 21 million tons. "The entire trucking industry", means the entire for-hire trucking industry. It does not include private trucks which we include as part of our industry.

If we accept the smaller figure of 11 million tons compiled by the Dominion Bureau of Statistics, there is a significance to this wartime highway freight movement which, in the light of Canada's national defence requirements, calls for greater emphasis than it has hitherto received.

In 1943, the railroads found their own facilities strained to the breaking point as their traffic volume rose to unprecedented heights. In that same year the Minister of Transport told the House of Commons at Ottawa that this strain on rail facilities had reached a point where "our





0. railways -- and I speak of the Canadian National Railways, but it is equally true of the Canadian Pacific Railway -- are taxed to the limit." The Minister's statement was confirmed by the railroad's own request that they be allowed to move freight cars in passenger trains. Order-in-Council P.C. 2012, dated March 12, 1943, pointed out that "owing to heavy traffic movement on the railways, due to war conditions, all railway cars are now actively engaged."

That was the year in which the trucking industry moved 11 million tons of freight. It was indeed fortunate that the capacity of the trucking industry prevented a transportation shortage which would have endangered seriously Canada's war effort.

(Page 9620 follows)



Importance Of Trucking Industry In Peacetime Economy.

Transportation shortage, a danger allayed in wartime by the capacity of highway transport, has actually occurred in peacetime.

Early in 1947, Canadian railroads, like those of the United States, had on hand thousands of shippers' orders for the placement of box cars which could not be filled because there were not enough box cars to go around. In an address at Vancouver on January 22, 1947, the Federal Minister of Transport, Hon. Lionel Chevrier, told the Vancouver Board of Trade that "the railways have been experiencing the worst car shortage for many years and they are not yet in a position to meet the demand".

This shortage of railway rolling stock meant that many trucking companies in Canada were called upon to make emergency movements of railway freight. These emergency freight movements were additional to a volume of highway freight traffic which had already created a peacetime record. In 1947, the year in which this railway box car shortage occurred, the trucking industry, according to the Dominion Bureau of Statistics, moved 13,616,439 tons of freight. The Bureau states that 1947 truck tonnage figures are not complete.

Canada's transportation experience has thus proved conclusively that 'for hire' truck service is vitally required in the national interest. It cannot be turned on and off like a tap. It must be there, always ready to serve the needs of the nation either in peace or war. If we are to have that service of motor transport, the development of industry must be promoted by governments and neither stifled by restriction nor stultified by excessive taxation.



Statistical Measurement Of Importance Of Truck Transportation

Fortunately, since 1941, the Transportation Division of the Dominion Bureau of Statistics has published an annual report on the operations of motor carriers. The Bureau's information is at the disposal of this Commission should it wish to obtain a statistical measurement of the importance and development of the highway carrier branch of transportation. Such statistical data was not available to the previous national Royal Commission on Railways and Transportation of 1931-32.

Early in 1948, this Association, with the co-operation of its provincial affiliates, instituted a two-phase program of assistance to the Bureau:

- (1) enlargement of the mailing list of truckers annually receiving the Bureau's motor carrier report schedules;
- (2) a campaign within the trucking industry to ensure that these schedules are completely accurate and returned promptly.

MR. HUME: May I interrupt you, Mr. Magee, in your reading to put in an exhibit, which I understand will be 125, and which is a folder -----

THE CHAIRMAN: Pardon me, you mean 124 according to the numbers I have here.

MR. HUME: No, 124, Mr. Chairman, is the constitution.

THE CHAIRMAN: Was it? I took it as 125.

MR. HUME: An exhibit consisting of a folder reproducing the various magazine articles and other information going out from this Association to the trucking industry in assisting the Dominion Bureau of Statistics in persuading the thousands of individual truckers to make returns to the Bureau.





THE WITNESS: Apart from other statistics which the Commission may wish to examine, the importance of all types of truck transportation in the national economy may be measured by the increase in the number of vehicles registered. From a small beginning of 37,610 vehicles in 1922, the number registered in Canada has increased to approximately 487,000 in 1948.

Table 2. -- Number of Trucks Registered in Canada  
1922 - 1948

| <u>Year</u> | <u>Number</u> |
|-------------|---------------|
| 1922        | 37,610        |
| 1923        | 54,256        |
| 1924        | 55,572        |
| 1925        | 74,489        |
| 1926        | 87,437        |
| 1927        | 101,475       |
| 1928        | 129,578       |
| 1929        | 155,639       |
| 1930        | 165,464       |
| 1931        | 165,190       |
| 1932        | 157,200       |
| 1933        | 153,829       |
| 1934        | 163,365       |
| 1935        | 172,775       |
| 1936        | 184,798       |
| 1937        | 220,729       |
| 1938        | 220,109       |
| 1939        | 231,474       |
| 1940        | 247,634       |
| 1941        | 270,941       |
| 1942        | 283,777       |
| 1943        | 294,176       |
| 1944        | 302,611       |
| 1945        | 315,606       |
| 1946        | 355,095       |
| 1947        | 425,803       |
| 1948        | 487,000       |

Source: Dominion Bureau of Statistics,  
Transportation Division.

It is estimated by the Association that approximately 43,000 of these vehicles are engaged in the movement of goods over the road for compensation -- referred to by the industry as "for hire" transportation.

Service the Reason for Growth of Trucking  
Industry

Truck transportation has risen to this commanding position because of its ability to render many new and unique services.



MR. HUME: May I interrupt you again there, Mr. Magee, to put in Exhibit 126, consisting of a folder of photographs illustrating that sentence?

EXHIBIT 126: Folder of photographs illustrating the many new and unique services of truck transportation.

THE WITNESS: In so far as the "for hire" branch of the trucking industry is concerned, rising costs of operation since 1939, and consequent rate increases, have not stayed the growth of truck tonnage and gross revenues. The Association emphasizes these facts in order that the Commission will be aware that shippers, even when faced with premium truck rates, will continue to patronize truck transportation because of service not offered by competitive transportation.

A striking example of this fact was afforded in October, 1947, when, under the stress of a 27 per cent wage increase, Ontario and Quebec less-than-truckload freight rates, generally at the same level as the comparable rail rates, were raised 20 per cent above the railway rates. This was the first time in history of the trucking industry that highway freight rates had risen above rail rates.

Although some shippers switched from truck to rail to take advantage of the 20 per cent rate differential, the loss of traffic was not sufficient to nullify the benefit of the trucking rate increase nor was it withdrawn. It remained in effect and in April, 1948, when the railway 21 per cent rate increase became effective, near parity in rail and highway freight rates again existed.

If shippers were willing to patronize truck transportation and, in doing so, to pay higher-than-rail



rates, it is obvious that the service advantages of the truck were of such importance that the actual rate shippers paid was not necessarily the determining factor in their choice of transportation media.

In so far as this Association is aware, no "market survey" has been undertaken by any branch of the Canadian transportation industry with the object of assessing the competitive positions of the various media, in relation to each other.

Such a survey has, however, been commendably undertaken in the United States by the Association of American Railroads whose membership is composed of all the important American lines, in addition to the Canadian National and Canadian Pacific railways.

Shortly after the conclusion of World War II, the Association of American Railroads, through its Railroad Committee for the Study of Transportation, sent a questionnaire to a number of shippers in the Eastern, Southern and Western Regions on the subject of merchandise traffic, the predominant element in the annual tonnage volume of the American trucking industry. This questionnaire was undertaken to enable the American railroads to determine the causes of competitive problems which would confront them in the post-war era.

In one question, shippers were asked to state the primary reasons they normally used common, contract, and private motor carriers.

A compilation of the replies separately for inbound and outbound shipments is presented in the following table:



Table 3. -- Primary Reasons Why Shippers Normally Use Trucks  
(Replies to Questionnaire of Association of American  
Railroads.)

|                           | NUMBER OF REPLIES |     |     |          |     |     |         |     |     | Total |
|---------------------------|-------------------|-----|-----|----------|-----|-----|---------|-----|-----|-------|
|                           | Eastern           |     |     | Southern |     |     | Western |     |     |       |
| a. Inbound                | (1)               | (2) | (3) | (1)      | (2) | (3) | (1)     | (2) | (3) |       |
| Shorter transit time      | 228               | 115 | 80  | 25       | 15  | 9   | 106     | 40  | 35  | 653   |
| Lower Costs               | 23                | 19  | 17  | 4        | 5   | 2   | 13      | 10  | 9   | 102   |
| Less loss and damage      | 3                 | 2   | --  | 1        | 1   | --  | 3       | 1   | 1   | 11    |
| No dunnage required       | 1                 | 1   | 1   | --       | --  | --  | 1       | 1   | 1   | 6     |
| Less billing required     | 1                 | --  | --  | --       | --  | --  | 1       | --  | --  | 2     |
| Lower minimum             | 6                 | --  | --  | 1        | --  | --  | 4       | --  | --  | 11    |
| Speed in servicing claims | 1                 | --  | --  | 1        | --  | --  | 1       | --  | --  | 3     |
| Less marking & packing    | 2                 | 1   | 1   | 1        | 1   | 1   | 1       | 1   | 1   | 10    |
| More personal service     | 1                 | --  | --  | 1        | --  | --  | 1       | --  | --  | 3     |
| Less handling             | 11                | 10  | 5   | 1        | --  | 1   | 3       | 1   | 1   | 33    |

Table continued on next page





|                           | NUMBER OF REPLIES |     |     |          |     |     |         |     |     | Total |
|---------------------------|-------------------|-----|-----|----------|-----|-----|---------|-----|-----|-------|
|                           | Eastern           |     |     | Southern |     |     | Western |     |     |       |
| <u>b. Outbound</u>        | (1)               | (2) | (3) | (1)      | (2) | (3) | (1)     | (2) | (3) |       |
| Shorter transit time      | 252               | 133 | 90  | 30       | 18  | 9   | 107     | 60  | 40  | 739   |
| Lower costs               | 24                | 23  | 20  | 3        | 5   | 2   | 19      | 12  | 10  | 118   |
| Less handling             | 12                | 10  | 11  | 1        | 1   | --  | 3       | 1   | --  | 39    |
| Less loss & damage        | 3                 | 3   | --  | --       | --  | --  | 3       | --  | --  | 9     |
| No dunnage required       | 2                 | 2   | 1   | 1        | --  | --  | 1       | 1   | 1   | 9     |
| Less marking & packing    | 3                 | --  | --  | --       | --  | --  | --      | --  | 1   | 4     |
| Lower minimum             | 8                 | --  | --  | 1        | --  | --  | 5       | 1   | --  | 15    |
| More personal service     | 4                 | 1   | 1   | --       | --  | --  | 5       | 1   | 1   | 13    |
| Speed in servicing claims | 1                 | --  | --  | 1        | --  | --  | 1       | --  | --  | 3     |
| Less billing required     | 1                 | --  | --  | --       | --  | --  | 1       | --  | --  | 2     |
| PU&D service              | 20                | 12  | 8   | 1        | 1   | 2   | 10      | 5   | 1   | 60    |
| Better tracing service    | 2                 | --  | --  | --       | --  | --  | --      | --  | --  | 2     |

(1) Common Carriers      (2) Contract Carriers      (3) Private Carriers

Source: Association of American Railroads, Merchandise Traffic Study of the Traffic Subcommittee -- Merchandise Traffic Division of the Railroad Committee for the Study of Transportation, Part III, Statement 72, p.16. Published by U.S. Department of Commerce, "An Evaluation of Motor Truck Transportation", 1948.



Why Restriction of Truck Transportation  
is not in the Public Interest

Artificial confinement of the length of haul of highway transport has been an integral part of railway thinking. At the hearings of the Senate Committee "Appointed to Inquire Into and Report Upon the Best Means of Relieving the Country from Its Extremely Serious Railway Condition and Financial Burden Consequent Thereto". S. W. Fairweather, Director of the Bureau of Economics, Canadian National Railways, is quoted (p. 304, Proceedings): "As a freight transport medium its (i.e., highway transport) economic scope is limited to a distance of approximately 50 miles beyond which distance the use of the highway is uneconomic as compared with the railway."

MR. FRAWLEY: What was the date of this statement, Mr. Magee?

THE WITNESS: That statement was made before the Duff Royal Commission on Transportation, and was quoted, I believe, in a report which was submitted as an exhibit, or which was under study by the Senate Railway Inquiry in 1938.

Regardless of the opinion of railway experts and the published recommendations of reports by previous official bodies, this Association respectfully submits that it is not possible to define a proper limit for the transportation of goods by motor vehicle. Despite increasing taxation the truck is constantly increasing its sphere of usefulness. Whatever the reason may be, the range of this new method of transportation is growing. The public has demanded the service and facilities available from the truck. In many instances new territory is served in the first instance by the carrier for hire in preference to the privately owned vehicle.



Heavily patronized facilities are now available in Canada to move household goods and effects by highway. The movers of household goods offer unique facilities and a personalized service that cannot physically be matched by any other mode of transportation. Despite the barriers which now exist, and the various jurisdictions, highway carriers engaged in this phase of transportation have accomplished remarkable results in meeting the needs of the public.

In the matter of the transportation of new automobiles by highway, the nation is beginning to realize the advantages obtained from using a flexible, specialized and economic mode of transport. In hearings before Provincial regulatory bodies a great deal has been said in favor of eliminating difficulties in loading and unloading automobiles and trucks from railway freight cars at rail sidings. The automobile carrier can effect delivery to the dealer's door at any time of day or night without causing the new automobile to be driven any noticeable distance. The dealer is enabled to keep a lower inventory and thus reduce investment, for he can order one automobile at a time instead of a rail car-load. There is less time in transit involved from the manufacturer's assembly line to the dealer and less damage to the automobiles carried. The economy in labour and time previously involved in making delivery at distant railway stations has shown itself in the expressed preference of the consumers and dealers and manufacturers. Many other illustrations could be given to explain the remarkable lengthening of the distance which can be economically and speedily served by highway transport.

It can no longer be said that the proper





function of the truck is collective and dispersive and not that of a primary carrier. The characteristics of the truck itself are gradually being improved with the result that other forms of transportation are forced to take notice of the progressive competition for public patronage. It is the submission of this Association that any effort to halt this development would be detrimental to the public interest.

It would be illogical, discriminative, and unfair to single out any one segment of the transportation industry to undergo restriction on behalf of rail transport. The nation is not treading the path of arbitrary and restrictive measures in order to bolster the railroad economy; this Association doubts if the nation will be willing to tread that path. If, rather than singling out any one form of transport for discriminative treatment, artificial restrictions were applied to every condition causing inroads into railway traffic, national development and progress would not only cease, but would be driven back several decades.

Let us examine how national development and progress affect railway traffic today. One hundred and forty thousand miles of improved highways teem with railway passenger and freight traffic of former years. Inland waterway competition has become more intense. Railway coal traffic has been diminished by the inroads of fuel oil, natural gas, and hydro electric power. Air passenger and cargo services are becoming an important factor in the transportation picture. These developments and their inroads into railway traffic have profoundly affected the status of the railroads in North America society. Those entrusted with the management of the railroads cannot expect progress and development to cease

(Page 9630 follows)



merely because progress and development have a depressing effect on the railroad economy.

Why Restriction of Highway Transport  
Will Enhance Railway's Competitive  
Difficulties

Restriction of "for hire" truck transportation will render more serious, rather than improve, the railways' competitive position. The most serious potential threat facing the various transport media is the competition of the customer himself. The ability of the larger shippers to own and operate their own transportation equipment will render abortive any attempt to protect the railways from highway competition. Motor vehicle registrations have grown to an all-time record because the motor vehicle is required to supply service which the railways cannot, or will not, provide. The artificial removal of competition as the factor deciding the division of traffic between rail and highway transport, will bring no relief to the railways. On the contrary, it will render critical the competitive problem which the railways presently face because it will shift traffic from common carrier highway service to shipper-owned and operated highway service. Once in the hands of shippers themselves, it will be difficult, if ever possible, for the railways to secure this traffic for intercity movement no matter how high the calibre of railway salesmanship.

Restriction of private highway trucking services to support the railway economy would meet very strong opposition from the section of the public directly affected, e.g., farmers and manufacturers, and would undoubtedly lack support from the public generally.

The position of the small shipper must also be



considered. He cannot afford the purchase of highway transport equipment. His larger competitor may own his own fleet of trucks. If the small shipper finds "for hire" trucking service arbitrarily withdrawn, with the attendant compulsion to use alternative railway facilities, he will also find that the larger competitive business, shipping in its own fleet of trucks, is automatically placed in a preferred position.

The speed, flexibility and convenience of highway transport is often a very important factor in the marketing of competitive products. It would appear to be the essence of unfairness to withdraw highway services from the small business and leave them as a competitive weapon in the hands of the large business which is able to create, at will, its own transportation department.

This Association submits that the shipper has an inalienable right to patronize the transportation service of his own choice, this service being the one which is found to be the most expeditious, economical and efficient.

This Association further submit that restriction of highway transport, as a panacea for the problem of depleted railway traffic, should be rejected by the Commission.

#### Transportation Subsidies

This Association respectfully submits that each province has, by its system of licensing, assessed each truck being operated, according to its size and carrying capacity, the amount considered to be a fair annual charge for that truck's operation on the highways.

This Association further submits that the





trucking industry is the only major transportation agency that is not subsidized. No government, Provincial or Dominion, has ever constructed an airport, ship canal, or made land grants which directly benefit any member of our industry.

This Association suggests that if any interest in Canada desires an investigation as to whether the trucking industry is paying its fair share of highway costs it should direct its propaganda to the provinces who have constructed the highways.

This Association suggests that the argument by the railways, that the highway industry is being subsidized, is intended to becloud the issues before this Commission and is irrelevant to this inquiry.

International and Interprovincial  
Highway Traffic

Because of the frequency with which various witnesses have referred to the question of Federal control over motor vehicles carrying goods for hire in inter-provincial and international trade, this Association desires to set forth its views as to the desirability and the legal aspect of this matter.

It is respectfully submitted that this Commission cannot decide whether the Dominion Parliament has legislative jurisdiction to impose such regulations and until a competent judicial tribunal has decided, that such controls would be "intra vires" of the Parliament of Canada, any discussion or recommendations are premature.

This Association's view is that the Canadian Constitution vests the authority for such regulations in the various provinces and this section of the Association's submissions will not be a "legal" brief in support of its opinion as no effective decision can be reached.





The view of the Association, however, is supported by the opinion expressed in the Report of the Royal Commission of 1931-32, headed by the then Chief Justice of Canada, an acknowledged authority on constitutional law, which stated that "under the Constitution of Canada, regulation of road transport falls within the exclusive jurisdiction of Provincial authorities". This opinion was also shared by the Provinces of Quebec, Ontario, Manitoba and Saskatchewan before the Senate Committee at the discussions on a bill proposing to regulate commercial vehicles in 1937.

As to the desirability of Federal regulation of road transport of an interprovincial or international character, the Association is strongly opposed. The chief objection may be summed up in the words of Lord Atkinson in the judgment of the Judicial Committee of the Privy Council in 1912 Appeal Cases at page 342 in the case of City of Montreal vs. Montreal Street Railway. It was pointed out that intraprovincial traffic would be under provincial regulation and interprovincial traffic under Federal regulation which was described as "a most unworkable and embarrassing arrangement".

The situation under review was whether the Montreal Street Railway was under Federal control on its through traffic because it was connected with a railway declared to be a work for the general advantage of Canada. The Judicial Committee decided it was not within the jurisdiction of the Parliament of Canada.

The "unworkable and embarrassing arrangement" applies to road transport between provinces. Suppose a commercial vehicle runs between two points in the Province of Quebec with occasional runs into Ottawa. Is it to



be subject to two sets of regulations? Or, if a company runs between Toronto and Montreal, is that part of its freight delivered in Port Hope, or Kingston, to be regulated by a different set of rules than the freight on the same vehicle that is delivered in Montreal? What is interprovincial traffic? Is a trucker engaged in interprovincial traffic if he picks up goods in Owen Sound and delivers them to Kingston, from whence they are shipped to Montreal by another carrier?

This Association, therefore, respectfully submits that any attempt of the Parliament of Canada to regulate interprovincial or international road transport would be ultra vires of the Parliament of Canada. From a practical standpoint, the imposition of additional regulations would be intolerable to the people of Canada who would be affected throughout the length and breadth of this country.

#### Discrimination Against Highway Transport

Evidence of the circumstances surrounding the operation of the ferry by the Canadian National Railway between New Brunswick and Prince Edward Island has already been submitted to the Commission by the government of that province. This Association concurs in the view that this situation should be remedied.

Your attention is called to the current ban on truck traffic through the National Parks of Canada. Although commercial motor vehicles may enter such parks and depart therefrom, they are not permitted to use the highways for through hauls. If this order is intended to protect the railways, it is respectfully submitted that it should be reviewed and revised.

The attention of the Commission is further called to a recent order by the Federal Minister of



Agriculture dealing with subsidies on the movement of grain from lake ports to inland points. Prior to the publication of this order, no distinction was made between the various means of transportation. The result of the order, however, was to deprive the motor carrier of the subsidy granted to other transportation agencies, whereas the railways continued to receive the subsidy.

The Department of National Revenue has seen fit to indicate a preference for railway transportation with regard to the movement of bonded traffic. The Honorable C. D. Howe, addressing the Canadian Good Roads Association Convention in 1940, stated: "At the present the Dominion Government maintains a slight deterrent against trucking across international boundaries by its policy of withholding the privilege of bonding goods moved in trucks. By this means it has prevented international highway movements that offer little advantage to the people of Canada, and that would, on the other hand, be immensely advantageous to established forms of transportation. I do not think that the withholding of the bonding privilege is a proper and satisfactory means of control for this purpose, and if I ever return to the Portfolio for Transport, I may introduce legislation to implement the undoubted legal right of the Federal Government to regulate international traffic." Although this Association disagrees with the Honourable Minister's opinion of the law, his statement of policy is illuminating.

Another instance of partiality appears in the Importation of Intoxicating Liquor Act which was passed by the Dominion Government in 1928 and which prohibits







transportation into any province from any place outside Canada of any intoxicating liquor (with certain minor exceptions), although not applying to common carriers by water or to railways,

Railway Operation of Highway Transport

The two transcontinental railways are both operating highway transport services.

Two methods have been used by the railways to enter the field of highway transport:

- (1) Certificates have been obtained from certain provincial authorities to institute highway transport operations within the jurisdiction of the respective province.
- (2) Established, independent highway transport firms have been purchased.

The degree of entry into highway transport by the Canadian National Railways has been slight and has never been effected through the purchase of existing trucking operations.

Substantial entry into highway transport has been achieved by the Canadian Pacific Railway.

The C.P.R. subsidiary, Canadian Pacific Express Company, has expanded a portion of its trucking operations from city collection and delivery to over-the-road highway transport service. The Express Company has secured from provincial regulatory bodies operating rights on certain highway routes in Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia.

Since January, 1947, The Canadian Pacific Railway or its subsidiary has purchased seven independent highway transport organizations in Western Canada. It is notable that all seven of these purchases dealt with



trucking operations which were, and remain, competitive with the Railway Company.

The first purchase, that of a trucking firm, operating on Vancouver Island, is recorded in the transcript of evidence heard by the Commission in Victoria and Toronto. This purchase was consummated directly by the C.P.R.

There followed the acquisition of six highway transport organizations in British Columbia, Alberta, Saskatchewan, and Manitoba. These six purchases were consummated by the subsidiary Canadian Pacific Transport Company.

The rapidity with which this program proceeded under the aegis of the subsidiary Canadian Pacific Transport Company is manifest. Within the eight-month period September, 1947, to April, 1948, 2,700 miles of Western highway routes were acquired.

The financial resources of the railways enable them to acquire readily and ready-made competitive transportation companies. There is taking place a gradual process of integration of the various types of carriers under railway ownership. Nowhere in Canada today does regulatory policy exist which restrains or bars the acquisition of other types of carriers by the railways. In the absence of regulatory policy it is impossible for a smaller form of transportation to prevent its ultimate absorption by the railways. If such absorption continues unchecked the railways will ultimately control a very large portion of Canada's transportation facilities.

The major investment of the railways is in railway transportation. The railways will undoubtedly continue to dominate the transportation field; the



chief concern of railway management with regard to competitive forms of transportation will continue to be the protection of the investment in rail transport. It is inconceivable that railway management would stand idly by and permit a trucking subsidiary of the railway to reduce to a losing position a railroad line which had been paying its way. It is the belief of this Association that railway management's initial responsibility -- to protect the major investment, rail transport -- will ultimately work to the detriment of competitive transportation facilities which the railways have acquired.

It is pertinent to note that in its Annual Report for 1946, the U.S. Interstate Commerce Commission stated: "Having in mind . . . the obvious public benefit to be derived from independent development of rail and motor transportation, we have looked with some concern at the apparent tendency of many railroads to acquire a substantial interest or prominent position, in the motor carrier industry . . . almost without exception we have conditioned all grants of certificates under section 207 in such a manner as to restrict the authorized motor operation to service which is auxiliary to, or supplemental of, rail service."

This Association believes that the independent development of the various transportation agencies is in the best interests of the nation. It is submitted that regulatory policy should ensure the development of transportation agencies as completely separate and competitive entities. This Association knows of no other policy whereby the inherent advantages of each class or type of carrier can be preserved for the nation.

This Association respectfully submits that





if this regulatory policy is deemed necessary in the national interest, its implementation would require that no form of transportation be permitted to acquire the ownership and control of a competing form of transportation. This Association therefore recommends that the Railway Act of Canada be amended so as to prevent acquisition of highway transport operations by the railways.

#### Agreed Charges

The Transport Act of 1938 introduced the principle of Agreed Charges. This Act effectively denies to highway carriers the right to be heard even though their business may be seriously affected by the decisions of the Board of Transport Commissioners. Attractive railway rates for shippers of large volume invites participation in such agreements while at the same time destroying any incentive for efficient and speedy transportation by highway and is prejudicial to the small business man.

As a result of the economic conditions in Canada since the "agreed charge" principle was adopted, few agreements have been made. In the event of a change of economic conditions resulting in an intensified competition for existing traffic, the increased application of this principle will imperil the established highway services to the detriment of the public.

The railway argument that trucks operate only during the summertime and invite traffic to return to the railways during the winter is frequently advanced as a reason to justify the theory of agreed charges by the railways. This description of truck operations is not accurate and the Commission is therefore invited to review the underlying reasons for this new weapon of





rate competition.

The principle applied in the establishment of an agreed charge is not applicable to a shipper who sells goods F.O.B. factory. In such cases the manufacturer does not select the carrier and is therefore at a competitive disadvantage with the shipper who sells goods on a delivered basis.

The Judicial Committee of the Privy Council recently decided that the effect of an agreed charge on the objecting carriers' business and revenues is a relevant consideration for the Transport Board. The approval of an agreed charge has been withheld when it was shown to be unduly prejudicial to a water carrier who had participated in the carriage of a traffic and resulted in an undue or unfair advantage. The Transport Act of 1938 gives to carriers by water and air an opportunity to defend themselves but denies such an opportunity to carriers by motor vehicle.

Agreed charges are available to all shippers who can qualify under conditions similar to those affecting the parties to the agreement. By reason of economic, geographic and other disadvantages, certain sections of Canada and certain classes of shippers are adversely affected by this principle of transportation.

This Association respectfully submit that the principle of agreed charges is inequitable and should be removed from the statute.

#### Regulation of The Trucking Industry

The fundamental regulatory measures under which the trucking industry is governed by nine of the ten provinces are summarized briefly as follows --



MR. HUME: I don't think you need to go any further.

THE WITNESS: That concludes our submission, with the exception of the last two paragraphs.

This Association has long advocated two fundamental measures of provincial control over highway transport:

- (1) Control of entry into the field by requiring the potential operator to prove that his service is required from the standpoint of public necessity and convenience;
- (2) Control of highway freight rates.

This Association regards these two measures of control as complementary and believes that to be wholly effective they should co-exist.

This Association further submits that uniform provincial operating regulations of the trucking industry are necessary in the public interest.



MR. HUME: The arrangement is, if you will please stand down at this time, in the presentation of the Association there are certain people here who have come a great distance with information on one or two specific points.

I will call Mr. Taylor.

JACK TAYLOR:

EXAMINED BY MR. HUME

Q. Mr. Taylor, you are from where?

A. Calgary, Alberta.

Q. What is your position with the Canadian Automotive Transportation Association .

A. I am Second Vice-President of the Association.

Q. I understand that you have come here to cover one or two matters in connection with the trucking industry as you understand it?

A. That is right, sir.

Q. The first thing I want to know is if you can tell the Commission of some examples of hauls in the Province of Alberta with which you are familiar.

A. Commissioners and sirs, we have one truck haul from Calgary to Lethbridge and from Lethbridge to Cardston, a distance of 205 miles. This operator has been hauling on that route for the last 18 years. We have another ----

MR. O'DONNELL: Please give us the name of the trucker?

A. That is Mr. Cooper, William Cooper. We have another haul from Calgary to Preston, British Columbia, a distance of 340 miles. That is Dench of Canada Limited. We have had continuous service for the past four years





from Edmonton to Dawson Creek, a distance of 500 miles. I don't know the owner's name. There is a truck haul from Regina to Edmonton, a distance of 757 miles. That is Dench of Canada Limited. We have another truck service which has been operating, to my knowledge, for the past twelve years from Coutts, Alberta to Edmonton, a distance of 400 miles. That is the Canadian Freightways. Rice Brothers of Great Falls, Montana, are operating a truck service from there through Alberta and British Columbia to Fairbanks, Alaska, a distance of 2522 miles.

MR. HUME: Q. How long has that service been in operation?

A. It has been in operation approximately eighteen months. We have another service from Edmonton to Lower Hay River, a distance of 741.5 miles. There are four carriers operating on that road. There is the Metric Brothers, Edmonton, Grimshaw, Yellowknife Transport and Woodward Transport, and I just can't recall who the fourth is. Pardon me; Mea's Transport.

Q. Is there anything else you want to tell the Commission about?

A. We have a number of others that might be interesting.

THE CHAIRMAN: Q. Do you know the rates on the line from the United States to Fairbanks?

A. I can't answer that.

MR. FRAWLEY: Q. Is there any way of finding that out? Do Rice Brothers know of that?

A. I imagine they do. I imagine it would be a competitive rate, and I will endeavour to find that out for the Commissioner and if it is available it will be filed through our Attorney.



MR. SINCLAIR: Is that U.S. Government freight?

A. I definitely can't answer that.

MR. HUME: Q. I asked you whether you had any other examples of hauls that you wanted to speak of?

A. Yes, we have a truck service from Oklahoma to Red Deer, Alberta and from Wichita, Kansas to Edmonton.

Q. With regard to the routes, how many operators within your personal knowledge have been carrying on established runs for ten years or longer?

A. I have here a list of ten names which I can give you.

Q. I don't think we are interested in the names unless someone else is.

MR. FRAWLEY: Dench might be interested.

MR. HUME: Q. You said there were ten.

A. I had a list from which I have taken names which I can give you. There were 124 names on this list and there were approximately 30 who had been operating thirteen years or more.

Q. I understand you want to tell the Commission about the effect of the National Park's problem.

A. Yes, on August 1st, 1940, under the authority of Order-in-Council P.C. 1249, dated the 18th day of June, 1919, upon instructions from the Department of Mines and Resources, Ottawa, on August 17th, 1940, P.J. Jennings, Superintendent, Banff National Park, advised the Banff Advisory Council as follows:

"(1) That, as from August 1st, 1940, Banff, Jasper, Yoho and Kootenay National Park Roads Were banned to through truck traffic.



(2) Trailer and semi-trailer units were  
henceforth banned in these areas.

One truck operator residing at Golden, B.C., operating a daily service and using three trucks was immediately ruled off the highway. Golden is 199 miles from Calgary. This operator and many others who were hauling livestock from Golden, the upper and lower Columbia Valley were also immediately ruled off this highway. A semi-trailer van, used by the Economy Express operating from Calgary to Banff was also placed on blocks by virtue of this Federal Order.

This prohibition was opposed by the Retail Merchants of Banff through their Association, the Banff Advisory Council, the British Columbia Interior Vegetable Marketing Board of Kelowna, B.C., Manley J. Edwards, Liberal M.P. for West Calgary and the Council of Golden, B.C. All however, to no avail."

(Page 9700 follows)



Q: Anything more you want to say about that Mr. Taylor?

A: I have here some extracts from a letter which was written by Mr. W. J. F. Pratt, private secretary to the Minister of Mines and Resources, the Honourable T. A. Crerar, which indicates the unique position taken by the Department;

"I would refer you particularly to the last part of the above Order which makes adequate provision for bringing in Park supplies.

It will be noted that the Superintendent may issue permits for transporting freight, which is, in his opinion, considered essential for conduct of business in the Parks providing the hauling of the freight cannot adequately be taken care of by existing railway facilities."

Still continuing the quotes:

"It is suggested that the truck operators absorb the moderate charge made for the use of the Park roads in their tariff structure. It is understandable that this would not meet with their desires as it would give them less of a margin to compete with the railroads. You will appreciate that the Department must keep in mind the interests of all those who are concerned, including the two railroad companies."

Q: What about your highways in winter time?

A: Our highways in the Province of Alberta





in the winter time for the past number of years, I don't know of any main highway which has been blocked for more than six to eight hours. Last year the road bans on the main highways lasted for three days.

Q: And lastly, the extent to your own knowledge of the international and interprovincial traffic emanating in your particular province?

A: From the Province of Alberta I believe there are fourteen licences issued for interprovincial. I don't know of any licences for international traffic in the Province of Alberta.

Q: And would some of these licences also carry to neighbouring provinces?

A: Yes, particularly the Province of Saskatchewan.

Q: Mr. Chairman, if there are any questions on the matters that Mr. Taylor has come down to give information on, I know he would be glad to answer them.

THE CHAIRMAN: I notice the Dench Company was mentioned by Mr. Magee as being a member of your Association. Is that right?

MR. HUME: No, the Association has as its membership only those six Associations listed on the front of the brief.

THE CHAIRMAN: He used the words "we have" and I thought among those he said "we have" he mentioned the Dench Company?

MR. HUME: I think he is referring to the industry as a whole, but insofar as the membership of that Company or any other railway company in this Association is concerned, I understand they are members of the British Columbia Association, but there are some others who are



not. If you want that information we will get it for you.

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CROSS EXAMINATION BY MR. SINCLAIR

Q: There is only one question I have, Mr. Taylor. You said that the road bans for last year were only on the main roads for two or three days?

A: Three days.

Q: How long was it on the secondary roads?

A: Well, that depends. In different parts of the provinces - last year I don't think (and I refer now to the secondary roads as those built of earth and gravel) I don't think the ban was on more than two weeks on any of those.

Q: On important roads?

A: On important roads.

Q: How long was the ban on unimportant roads?

THE CHAIRMAN: That is two questions, Mr. Sinclair.

MR. SINCLAIR: Yes, I didn't know he was differentiating.

A: That is most difficult to answer because our unimportant roads may be roads leading in through woods which are practically unused.

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CROSS EXAMINATION BY MR. FRAWLEY

Q: Mr. Taylor, you talked about the ban on truck transport through the National Parks?

A: That is right.

Q: Do you know if that would represent an obstacle to the traffic between Alberta and the West Coast?

A: Yes, I would think so. I am in possession of that information as I have here a clipping from Victoria dated October 20th:

"Public Works Minister E. C. Carson said



Wednesday, British Columbia has not yet decided which route through B.C. should be chosen for the Trans-Canada Highway. Alberta recently decided to support the road which leads to the Banff-Big Bend route in this province. But Mr. Carson said B.C. is withholding its decision until all factors have been examined. He said one point to be settled is the matter of trucking and other commercial routes through the federal park areas which is traversed by the Banff-Big Bend route."

Q: In other words, if there was free trucking through the national parks there would be considerable interprovincial trucking between Alberta and British Columbia?

A: That is right, sir, yes.

Q: At the moment is that ban effective?

A: Yes, definitely.

Q: That there should be no commercial trucks proceeding through the Banff Park or Yoho Park through to British Columbia?

A: That is right.

Q: The Big Bend Highway, in other words, cannot be used to take traffic from Alberta to British Columbia to its destination?

A: Through the national parks, that is right.

Q: And in your opinion is that the logical way in which the traffic should go?

A: Oh yes, the traffic from the upper and lower Columbia valleys and from Golden, that is the natural way for it to go.





Q: Do you know whether there was for a long time a ban on trucking through by highway from Alberta to British Columbia over United States highways?

A: I believe there was a prohibition there; I am not too familiar with that condition.

Q: The prohibition had to do with the inability of a trucker to become a bonded carrier?

A: That is right, yes.

THE CHAIRMAN: Didn't you tell us at the beginning you were anxious to let these people go?

MR. HUME: No, I am afraid you misunderstood me. The reasons put to me were that Mr. Magee, who read the brief, would not be cross-examined on that brief today and would stand down but that as some of these gentlemen have come from considerable distances to state certain facts to the Commission, that we would try to get through with them today so that they could go home and not wait over until Saskatchewan has finished. Mr. Magee is coming back for cross-examination on the brief and another witness.

THE CHAIRMAN: It looks as if they may have to keep until tomorrow. Go on Mr. O'Donnell.

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CROSS EXAMINATION BY MR. O'DONNELL

Q It is a very difficult thing to carry a whole array of facts in ones head and have to use them three days after one expected to have used them. The transcript is all broken up and you find trucking on one page and then another witness on another and so on. Mr. Taylor, are you the gentleman who undertook to force the Public Utilities Board or the Board that supervises the trucking certificates in Alberta to hold hearings concerning the granting of certificates?

A: No sir.



Q: You are not the Mr. Taylor that did that?

A: No.

Q: Are you satisfied with the type of truck control that there is at the present time so far as the issuance of certificates is concerned in Alberta?

A: No, I would not say we are satisfied. Most of our truck regulations in the Province of Alberta are quite satisfactory.

Q: Are you aware that an endeavour was made to force the holding of open hearings with respect to the granting of truck licences?

A: Yes.

Q: Can you tell the Commission what the outcome of it was?

A: Well, I don't know if it would be helpful or not; I have no objection to telling them but it is something that has gone past.

Q: How long ago was that?

A: 1936, I believe.

Q: The law has been changed since then?

A: Yes, the law was changed directly after that.

Q: Do you operate trucks yourself?

A: No.

Q: You are merely a representative of the Canadian Automotive Transportation Association?

A: That is right.

Q: And your Association is not operating or rather the members are the only operators?

A: That is right.

Q: Have you any records or access to operating costs on your individual members? Do you keep any control of that kind of thing?

A: We would not have access. That is their



private business; it is not available.

Q: You are merely a propaganda organization for the purpose of fostering the truckers interests?

A: I would hardly say that. The function which that organization performs is to make representation to provincial and federal bodies in regard to regulations governing motor transport in the Province of Alberta.

Q: I may have been slightly misled by the form of the exhibits 125 and 126?

A: They were startling, yes.

Q: I assumed they were rather propagandistic in their nature. Does your branch of the Association support the recommendations of the Association that there should be control of highway freight rates?

A: We support and recommend the brief of the Canadian Automotive Transportation Association which was read to you by Mr. Magee.

Q: Do you think it would be advisable that all truckers should be obliged to keep records of operating costs?

A: It would be an advantage, yes.

Q: And that such a record should be made available to public bodies that might be interested in the administration of the regulation of trucks?

A: That would be satisfactory.

Q: And of truck rates?

A: That is right.

Q: And so far as your branch of the Association is concerned, you would have no objection to asking an operator or operators who are members of the Association to make available their records of operating costs and the rates actually charged by them and collected by them?

A: Available to whom, Mr. O'Donnell?

Q: To the regulatory body?



A: That is right.

MR. FRAWLEY: Mr. Taylor, I would like to clear something up. You are the Vice-President of the Canadian Automotive Transportation Association?

A: That is correct.

Q: That Association has no trucking operators as its members?

A: That is right.

Q: Purely as its members it has the provincial associations?

A: That is right.

Q: But you are the Secretary of the Alberta Motor Transport Association?

A: That is right.

Q: And in fact the membership of the Alberta Motor Transport Association consists of personnel operating motor transport companies in Alberta?

A: That is right.

Q: One more question. Are you asking this Commission for a recommendation with respect to the regulation of trucks in Alberta?

A: No.

MR. HUME: Thank you Mr. Taylor.

THE CHAIRMAN: You have another witness, have you Mr. Hume?

MR. HUME: Well, the witness is Mr. Buckman from British Columbia with some facts from that province. He will be available in the morning if the Commission would prefer to arise now at a quarter to five.

THE CHAIRMAN: He will be here tomorrow will he?

MR. HUME: He will be here yes.

-- The Commission adjourned at 4:45 p.m. to meet again on Wednesday, November the 23rd, 1949, at 10:30 a.m.





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ROYAL COMMISSION ON TRANSPORTATION

Index Page #69  
Page

|                                                                                                                   |        |
|-------------------------------------------------------------------------------------------------------------------|--------|
| <u>GENE L. BUCKMAN</u> - Called. Examined by Mr. Hume.                                                            | 9708   |
| Cross examination by Mr. Frawley - - - -                                                                          | 9713   |
| <u>EXHIBIT No.127:</u> Pamphlet entitled "Highway<br>Traffic Regulations of the<br>National Parks Service - - -   | 9714-A |
| Cross examination by Mr. Sinclair - - -                                                                           | 9716   |
| <u>J.B.McEVOY</u> - appeared for the Associated New-<br>foundland Industries - - - - -                            | 9723   |
| Presented brief - supplementary submission<br>of The Associated Newfoundland Industries<br>Limited - - - - -      | 9729   |
| <u>EXHIBIT No.128:</u> Five copies of submission of<br>Province of Saskatchewan                                   | 9816   |
| <u>DR. G. E. BRINTNELL</u> - Called. Examined by<br>Mr. MacPherson - - - - -                                      | 9816   |
| Presented brief on behalf of Province of<br>Saskatchewan - - - - -                                                | 9827   |
| Noon adjournment - - - - -                                                                                        | 9844   |
| <u>DR. G. E. BRINTNELL</u> Recalled - Examination con-<br>tinued by Mr. MacPherson.- - - - -                      | 9845   |
| <u>EXHIBIT No.129:</u> Original of Fig.III in Sask-<br>atchewan Brief - - - - -                                   | 9884   |
| <u>EXHIBIT NO.130:</u> Table showing proportion of<br>cattle shipped by rail and<br>truck in Saskatchewan - - - - | 9908   |
| Adjournment - - - - -                                                                                             | 9942   |



ROYAL COMMISSION ON TRANSPORTATION

OTTAWA, ONTARIO,  
WEDNESDAY,  
NOVEMBER 23rd, 1949.

THE HONOURABLE W.F.A.TURGEON, K.C. LL.D. - CHAIRMAN  
HAROLD ADAMS INNIS - COMMISSIONER  
HENRY FORBES ANGUS - COMMISSIONER

G. R. Hunter,  
Secretary.

P.L.Belcourt,  
Asst.Secretary.

COUNSEL APPEARING:

|                         |   |                                                                                          |
|-------------------------|---|------------------------------------------------------------------------------------------|
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| G. C. Desmarais, K.C.   |   |                                                                                          |
| Hugh E. O'Donnell, K.C. | } | Canadian National Railways                                                               |
| H.C.Friel, K.C.         |   |                                                                                          |
| C.F.H.Carson, K.C.      | } | Canadian Pacific Railway                                                                 |
| F.C.S.Evans, K.C.       |   |                                                                                          |
| I.D.Sinclair,           |   |                                                                                          |
| Wilson E. McLean, K.C.  | ) | Province of Manitoba                                                                     |
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| M.A.MacPherson, K.C.    | } | Province of Saskatchewan                                                                 |
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| J.J.Frawley, K.C.       | } | Province of Alberta                                                                      |
| C.W.Brazier             |   |                                                                                          |
| F.D.Smith, K.C.         | } | Province of Nova Scotia;<br>Transportation Commission of<br>the Maritime Board of Trade. |
| J.Paul Barry            |   |                                                                                          |
|                         |   |                                                                                          |
| F.R.Hume                | } | Canadian Automotive Trans-<br>portation Association                                      |
| M.L.Rapoport            |   |                                                                                          |
| R.Kerr                  | ) | Board of Transport Commissioners                                                         |
| W.E.Darby, K.C.         |   |                                                                                          |
| J.B.McEvoy, K.C.        | ) | Province of Prince Edward Island.                                                        |
|                         |   |                                                                                          |
|                         | ) | The Associated Newfoundland<br>Industries, Limited.                                      |
|                         |   |                                                                                          |





ROYAL COMMISSION ON TRANSPORTATION

Ottawa, Ontario  
Wednesday, November 23, 1949

MORNING SESSION

MR. COVERT: Mr. Chairman, there is one witness to be called by Mr. Hume, and then, I think, Mr. MacPherson has agreed to give Mr. McEvoy an hour of his time, and then we will go on with Saskatchewan.

MR. HUME: Mr. Chairman, for reasons explained yesterday, the presentation of the Canadian Automotive Transportation Association is being delayed, but Mr. Buckman, as it was arranged, is to give his evidence this morning.

MR. GENE L. BUCKMAN CALLED

EXAMINATION IN CHIEF BY MR. HUME

Q. Mr. Buckman, you are the secretary-manager of the Automotive Transportation Association of British Columbia?

A. Yes, sir.

Q. And that association is one of the six members of the Canadian Automotive Transportation Association?

A. Yes, sir.

Q. Mr. Buckman, I understand that you have some information that you wish to give the Commission on long hauls in connection with your particular province?

A. Yes, Mr. Hume; we have quite a number of long hauls in the province of British Columbia, pretty much throughout the province. I might start at the northern section of the province and quote the line known as Wilson Freightways who operate out of Dawson Creek as far as Whitehorse and, I believe, Fairbanks, a distance of 1500 miles and upwards.

Q. What was the distance?

A. A distance of 1500 miles between Dawson Creek and Whitehorse.

THE JOURNAL OF THE

Q. Is that a regularly scheduled service?

A. No, it is a non-scheduled service, but takes place as required. If we go back as far as Prince George, we have a regular scheduled service from Smithers.

MR. O'DONNELL: Q. Who operates that?

A. That is operated by the Johnson Transfer. Then at Vanderhoof, which is just outside of Prince George in a western direction, a line operates from Vanderhoof to Vancouver. That distance is something over 600 miles. That is scheduled service that has been in operation for a long time. That is the Lee's Transfer. From Prince George to Vancouver is a line called Carson's Truck Line. That distance is 563 miles. In between Prince George and Vancouver are other lines. I am thinking of the Huston Transfer operating between William's Lake and Vancouver. That would be a distance of between 400 and 500 miles. Then we have lines operating between Kamloops and Vancouver. One of them is the Vancouver and Kamloops Freight Line. The White Transfer operates over that same route. As a matter of fact, it operates from Vancouver through Kamloops down into the Okanogan Valley as far as Kelowna. In the southerly part of the province we have lines operating between Vancouver and the Okanagan Valley. There are freight lines operated into Kelowna and to Penticton into Trail and Nelson.

Q. What is the distance.

A. This is a distance of roughly 400 miles. Then we have a line operating out of Vancouver into Trail and Nelson and Cranbrook. and the distance between Vancouver and Nelson is 580 some miles. Then, of course, we do have the B.C. Seattle Motor Freight Company which operates out of Vancouver and they connect with an American line in Seattle known as the Los Angeles - Seattle Express.

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In fact, during the were freight had to be moved in a hurry and it was not unusual for us to move steel from Henry Kaiser's plant in Fontana, California in a matter of 48 hours .

(Page 9713 follows)





Q. I think that is sufficient. Now would you tell me the number of those operations that have been in regular service, say, over fifteen years.

A. I was handed a list the night before last, and the total list was about 75 names of carriers who were licensed in British Columbia fifteen years ago. Of that list I recognized 42 as still being in business; I did not recognize twenty. I recognized 4 out of the list as having gone out of business to my knowledge. We have of course many well known and established citizens of British Columbia who have been engaged in the business of moving freight by motor vehicle for many many years. We have George Shead of Port Alberni, we have Edward Cliffe of Courtenay, we have John Scoular of Victoria and Joseph Heaney of Victoria, Johnson National Transfer, and Arrow Transfer in Vancouver. We have them all through the province. Their names are legion.

Q. May I ask you then whether or not the scheduled services operate all the year round or only in the good weather as has been suggested.

A. They operate all the year round.

Q. What about your roads in the winter time.

A. The roads are open in the winter time.

Q. Thank you, Mr. Buckman.

CROSS-EXAMINATION BY MR. FRAWLEY

Q. Mr. Buckman, you spoke about a movement from the interior to British Columbia, to the coast to Vancouver. Did some of that traffic go into the United States and then along the United States Highways and then back into the lower main land?.

A. Yes.

Q. And was there at sometime a difficulty in





connection with that kind of movement?

A. There was a difficulty.

Q. A customs regulation?

A. Yes, Sir. We suspected that difficulties were being added to the movement of the traffic although we did not know why, but it did become difficult to secure Canadian customs bonds to permit us to take freight into the United States and back into Canada. Of course, we could see no reason why we should not take Canadian freight into the United States for a short period of time and bring it back into Canada. The difficulties, I would say, we managed to iron out.

Q. I suggest to you there was a Customs regulation passed in 1901 which restricted the bonding privileges to railway carriages.

A. Yes, sir, that is correct to my knowledge as far as I know.

Q. And my further understanding is that it was not until the Geneva Convention of two years ago that traffic could move freely freight in Canadian bond over United States highways and back into Canada.

A. That is correct, sir.

THE CHAIRMAN: By truck?

MR. FRAWLEY: By truck, my lord.

COMMISSIONER ANGUS: Mr.Frawley, are you referring to Canadian or United States regulations?

MR. FRAWLEY: Canadian regulations, Mr.Commissioner. I have that old regulation and I might file it for the information of the Commission.

Now, Mr. Buckman, you say there is a scheduled truck operation from Kelowna to Vancouver?

A. Yes, sir.



Q. Is there a scheduled truck operation from Kelowna to Calgary?

A. No, sir.

Q. And why is that?

A. Mainly because of difficulties encountered in travelling that distance.

Q. Yes?

A. The route which is available to avoid national park barriers sets up extreme mileages.

Q. Would the direct route be from Kelowna over the Big Bend highway through the Yoho National Park, and the Banff National Park into Calgary?

A. That in my opinion would be the direct route.

Q. And that is banned by a regulation of the Department of Parks?

A. Yes, sir.

MR. FRAWLEY: I would like, Mr. Chairman, to file a set of regulations which I obtained only this morning called "Highway Traffic Regulations of the National Parks Service".

MR. COVERT: That will be 127.

EXHIBIT No. 127: Pamphlet entitled "Highway Traffic Regulations of the National Parks Service."

MR. FRAWLEY: And I would only call the Commission's attention to two of those regulations, Section 6, sub-section 1, and Section 7. Regulation 6 (1) says:

"No person who is not a resident of a Park shall operate or use within a Park any motor vehicle unless he holds a transient motor licence issued under these Regulations and has paid the fees therefor....."



Then there is a proviso in connection with the Point Pelee National Park in Ontario which does not apply. Then No. 7 says:

"No transient motor licences shall be issued in Banff, Kootenay, Yoho or Jasper Parks to cover the operation of motor trucks on Park highways other than may be necessary for the transportation of freight, which in the opinion of the Superintendent may be essential for the conduct of business in the Parks."

So that seems to be a very effective ban. Then, Mr. Chairman, I just want to call the attention of the Commission at this point to a short passage from the evidence in the 30 per cent case. It is volume 741, page 1434 and 1435. At that point I was cross-examining Mr. Jefferson, the Freight Traffic Manager of the Canadian Pacific on the subject of fresh fruit and vegetables from Vernon and Kelowna to Calgary as against the transportation of similar fresh fruit and vegetables from Oakville in Ontario to Montreal, the reason for selecting those points being that the distances were almost identical.

At page 1434 I called Mr. Jefferson's attention to the fact that the exhibit which I had filed (No. 42) shows that berries and peaches move from Vernon to Calgary on a rate of \$1.04 and those same berries and peaches will move from Oakville, Ontario, to Montreal for 45 cents.

"Mr. Pitblado: Not the same berries.

Mr. Frawley: No, not as good berries.

Q. That is so, is it, Mr. Jefferson?

A. On the basis of those figures which have not been checked, yes."





Then I referred Mr. Jefferson to the tariff E1355B on the Canadian Pacific and on the Canadian Nation CM195 which is called a special seasonal motor and water competitive rate on fresh fruit and vegetables. Then:

"Q. In fact, that difference is, to an ordinary layman not versed in the complexities of the Canadian freight structure, almost incomprehensible because it costs 131.1 percent more to ship those commodities from Vernon to Calgary than it does from Oakville to Montreal. You say the one has the mountain differential and the other is water and motor competition compelled."

It is the answer I want to call to the attention of the Commission. Mr. Jefferson's answer was:

A. Yes, there is no truck competition of which I know from Vernon to Calgary".

That is what I want to bring to the Commission's attention, with respect to the reason for including truck competition from Vernon to Calgary.

MR. HUME: Mr. Chairman, there is one question I would like to ask in order to complete the record on this matter. Have you any information as to the number of vehicles engaged in British Columbia in international and interprovincial traffic?

A. As close as I can estimate it the number is 50. It is difficult figure to establish.

THE CHAIRMAN: Any other questions?

CROSS-EXAMINATION BY MR. SINCLAIR

Q.. Are you familiar with the photographs in Exhibit 126 that was filed by Mr. Magee?

A. Not very familiar.



Q. Have you seen them

A. I have glanced over them.

Q. You remember that in there there were some pictures of logging trucks?

A. Yes, sir.

Q. The last one in the group that I have is a large truck with semi-trailer on which are loaded two very large logs. Would you say that picture was a picture of a British Columbia logging operation?

A. I don't know that it is a picture of a British Columbia operation, but it looks like B.C. fir on the truck.

Q. And in British Columbia, Mr. Buckman, do logging operators build their own highways in many parts of the province?

A. It depends what is meant by "highway".

Q. Roads, then.

A. All the logging companies have to build their own roads because the timber stands are where there are no roads. They build their own log roads to bring the logs to a point where they are eventually disposed of, usually taking them to water and booming them there. For the most part these operations are conducted on roads built by the logging companies.

Q. Yes, then where those roads, that is the logging roads, parallel the highways, for instance on Vancouver Island, the logging operators keep off the highways used by the general public. That is correct, is it not?

A. I am not familiar with a logging road on Vancouver Island which is built to avoid travelling on the public highway. I am familiar with a logging



road near Vancouver which parallels for a distance of about a mile the public highway and they have a continuation of a logging road which extends some thirty miles back into the woods where the timber stands. I would not say that logging companies cannot use the regular highways where it is necessary for them to do so, because they can and do use the highways where necessary.

Q. That is, if they can so adjust their tariffs as to keep within weight limits put on the licences by the provincial regulatory authority?

A. That is correct, but the limits, I might add, will vary where there are no bridges. Bridges control the weight limits to a large extent.

Q. So sometimes municipal or provincial authorities have have to build more expensive and bigger bridges to handle heavier truck loads.

A. No, they do not build the bigger bridges to handle heavier truck loads. They are merely building the bridges to modern standards, and where the building progress has not reached a point where the bridges have reached modern standards, some of the bridges create certain restrictions.

(Page 9721 follows)



Q. Modern standards meant to meet the traffic moving over them,, including heavily loaded trucks?

A. That is correct.

Q. Now, you said that there were trucks running between Vancouver, Nelson and Trail operating on regular schedules?

A. Yes.

Q. Now the Canadian Pacific operate in cars with l.c.l. freight and move them by passenger train to those points. Can you tell me how long it takes a truck to run from Vancouver to Nelson and Vancouver to Trail?

A. I am sorry, I cannot.

Q. How long does it take a truck to operate between Vancouver and Kamloops?

A. The running time is between 12 and 14 hours.

Q. How long does it take the Canadian Pacific to move their l.c.l. cars that are moved on their passenger trains between Vancouver and Kamloops?

A. I do not know.

Q. It is considerably shorter than 12 hours, though, you know that?

A. No, I do not.

Q. You have never travelled between Vancouver and Kamloops on the Canadian Pacific main line?

A. Yes, but I do not recall the time I took while I was on the journey, I am sorry.

Q. You might have got on the train at night, and you were not up in the morning when you went to Kamloops, Mr. Buckman?

A. It was an over-night journey, as I recall it.  
Mr. Commissioner, in case there is any question about





why I answered the question that way, I frankly have only travelled that way once, and that was some time ago, and I went as far as Sicamous.

THE CHAIRMAN: That was by passenger train?

A. Yes.

MR. SINCLAIR:

MR. SINCLAIR: The Canadian Pacific from Vancouver operates over-night cars with l.c.l. by passenger train between Kamloops to Okanagan points, Kelowna, and so on.

THE CHAIRMAN: What is the distance?

MR. SINCLAIR: Vancouver to Kamloops is approximately 400 miles.

THE WITNESS: Mr. Chairman, if I am correct I believe the mileage is 183.

MR. O'DONNELL: Vancouver to Kamloops?

A. Yes.

THE CHAIRMAN: Your time table will show?

MR. SINCLAIR: Yes, I will put it on the record. I thought that a truck would do more than 183 miles in 12 hours.

THE CHAIRMAN: Any other questions?

- - - - -



MR. COVERT: The next brief, Mr. Chairman, is that of The Associated Newfoundland Industries, Limited. Mr. J. B. McEvoy, K.C. is presenting the case, Mr. Chairman.

MR. MacPHERSON: Before Mr. McEvoy proceeds, I just wish to express what Mr. Covert has said, that it was quite satisfactory with Saskatchewan to have Newfoundland go ahead at this time.

MR. McEVOY: I am appearing for the Associated Newfoundland Industries, my lord. At this time, my lord and Mr. Commissioners, I would like to express to my friend Mr. MacPherson, K.C. of the Province of Saskatchewan, my very deep appreciation and sincere thanks for his kindness in making it possible for us to be here this morning, and at the same time, I would like to express to my learned friends, Mr. Covert and Mr. Hunter, of this Commission, our very deep appreciation and thanks for the innumerable kindnesses we have received at their hands.

Now, in view of the fact, my lord, that I am strictly circumscribed in that I have but an hour to deal with the problem of secondary industry in Newfoundland, and if I would avoid prostituting the kindness that has made that possible, it follows, of course, that time must inevitably be of the essence. For that reason, therefore, my lord, I propose, subject to your lordship's approval, to waive reading the brief of the Association into the record. I do ask, however, my lord, that the brief be taken as read and, therefore, incorporated by way of reference into the record.

I propose, therefore, if your lordship pleases, to state as briefly and as concisely as possible in the



highly limited time at my disposal, a statement or a restatement of the position which secondary industry in Newfoundland presently finds itself in as the tenth province of Canada.

I would like, however, before turning to the brief to ask leave to make some slight amendments to the brief. Unfortunately, it was not possible to have obtained the brief from the King's Printer, my lord, for the purpose of proof reading the same and on the way over here and going through it, I found that there were some patent ambiguities which I think might be clearly resolved to the satisfaction of this tribunal were I to be permitted to make some slight amendments here.

The first one I would like to make is paragraph 10, page 4, the fourth and fifth lines, my lord. I would ask leave to strike out the words "extending the jurisdiction of the Board of Transport Commissioners of Canada". I ask that these words be deleted and in substitution therefor to insert the phrase "regulatory rates", so that it would then read "by regulatory rates over ships included in inter-provincial --". And I would ask to strike out the word "trade", my lord. That is the first word in line 6, paragraph 10, page 4, and in substitution therefor the word "carriage", so that in amended form it would then read "by regulatory rates over ships included in interprovincial carriage in the Maritime regions".

The next amendment I would ask leave to make is to paragraph 14, page 5, that the last two lines be deleted. That is, "the Newfoundland public





cannot be asked to pay for," etc., etc. And in substitution therefor the phrase "the cost should be borne by the Dominion and not by traffic which might pass over the line". Then paragraph 47, page 18, lines 4 and 5, I ask leave, my lord, to delete the words "jurisdiction of the Board of Transport Commissioners must be extended so as to provide", that these words be stricken out altogether and that after "the", the last word of line 3, paragraph 47, page 18, there be substituted the expression "there must be". Strike out the "the" and in substitution therefor put in "there must be", so that in amended form the sentence should then read "we therefore feel that there must be regulation of carriage of goods by sea rates on ships included in interprovincial carriage within the Maritime region if any relief is to enure to the people of Newfoundland."

And finally, my lord, the last page under the caption or title "Recommendations". In Recommendation 4, my lord, I ask that the word "effected" be deleted and in substitution therefor the words "adjusted on the recommendation", and then at the end of the clause --

THE CHAIRMAN: "Readjustment of local rates for rail and coastal services should be adjusted on the recommendation"?

MR. McEVOY: Perhaps "effected" would be all right.

THE CHAIRMAN: You say "adjusted on the recommendation by a permanent" --

MR. McEVOY: "Advisory Committee".

THE CHAIRMAN: On whose recommendation?

MR. McEVOY: Of a permanent advisory committee, and I was going to add the words "to the railway



management".

THE CHAIRMAN: Then it would be "adjusted on the recommendations of the permanent advisory committee"?

MR. McEVOY: "Of a permanent advisory committee", and add the words "to the railway management".

THE CHAIRMAN: Strike out the word "by" and put "of"?

MR. McEVOY: Yes, my lord. And then, my lord, the final one is 5d. I ask that the words in lines 1 and 2 of 5d, "less than those applying in the Maritime Provinces" be deleted or stricken out and in substitution therefor the phrase "on such a basis as will facilitate marketing in the Maritime Provinces", so that in amended form the clause will then read, "in general the rates for Newfoundland to be on such a basis as will facilitate marketing in the Maritime Provinces to the extent necessary", etc., etc. And then finally, my lord, add to Recommendation 6 the additional words, "by placing the same under the jurisdiction of the Maritime Commission or some other statutory body with the necessary regulatory powers". The clause would then read, "The regulation of freight rates should include carriage of goods by sea as well as rail traffic by placing the same under the jurisdiction of the Maritime Commission or some other statutory body with the necessary regulatory powers."



Page 9728 follows.



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SUPPLEMENTARY SUBMISSION OF  
THE ASSOCIATED NEWFOUNDLAND INDUSTRIES  
Limited.

FREIGHT RATES

Mr. Chairman and Commissioners:-

SUPPLEMENTAL SUBMISSION

1. The following Supplemental Submission is made on behalf of The Associated Newfoundland Industries, Limited, (hereinafter called "the Association"), under and by virtue of Consent order dated the 27th day of September, A.D., 1949, amending, on that date, Submission dated and filed with The Royal Commission on Transportation the day before.
2. In determining the freight rate structure for Newfoundland, in so far as it affects the Province generally and Secondary Industry particularly, the Association feels that the matter must be looked at, not merely from the restricted viewpoint as dictated by a consideration of freight rates only, but rather from the over-all picture created by constitutional, geographic, climatic and other considerations.

CONSTITUTIONAL AND LEGAL CONSIDERATIONS

3. Paragraph 5, Page Two of Privy Council Order 6033, December 29th, 1948, constituting this Royal Commission, reads as follows:- (Quote)

"5. That the scope of this Commission shall not extend to the performance of functions which, under the Railway Act, are within the exclusive jurisdiction of the Board of Transport Commissioners." (Unquote).

On the other hand, however, the covering words to Section Two, and Sections 2(a), 2(b) and 2(f) read as follows:- (Quote)

"2. That, without restricting the generality of the above terms of reference, the Commissioners should in particular:-





"(a) Review and report upon the effect, if any, of economic, geographic or other disadvantages under which certain sections of Canada find themselves in relation to the various transportation services therein, and recommend what measures should be initiated in order that the national transportation policy may best serve the general economic well-being of all Canada;

"(b) Review the Railway Act with respect to such matters as guidance to the Board in general freight rate revisions, competitive rates, international rates, etc., and recommend such amendments therein as may appear to them to be advisable;

"(f) Report upon any feature of the Railway Act, (or railways legislation generally) that might advantageously be revised or amended in view of present-day conditions."  
(Unquote).

4. Term 32 of The Terms of Union reads as follows:-  
(Quote)

"32. (1) Canada will maintain in accordance with the traffic offering a freight and passenger steamship service between North Sydney and Port aux Basques, which, on completion of a motor highway between Corner Brook and Port aux Basques, will include suitable provision for the carriage of motor vehicles.

"(2) For the purpose of railway rate regulation the Island of Newfoundland will be included in the Maritime region of Canada, and through-traffic moving between North Sydney and Port aux Basques will be treated as all-rail traffic.

"(3) All legislation of the Parliament of Canada providing for special rates on traffic moving within, into, or out of, the Maritime region will, as far as appropriate, be made applicable to the Island of Newfoundland." (Unquote).



5. Following upon the passing of the Act of Union, the Federal Parliament gave effect to Section 32, subsections (2) and (3) of the Terms of Union by enacting an Amendment to the Maritime Freight Rates Act. This amendment was incorporated as Section 13 of the Statute Law Amendment (Newfoundland) Act known as Bill 12. It reads as follows:

"13. (1) Subject to this section the Maritime Freight Rates Act, Chapter 79 of the Revised Statutes of Canada, 1927, applies mutatis mutandis to all lines of railway in the Island of Newfoundland that are subject to the legislative authority of the Parliament of Canada.

"(2) For the purposes of the said Act the lines of railway situated in the Island of Newfoundland including the steamship services between Port aux Basques and North Sydney that are entrusted to the Canadian National Railway Company for management and operation shall from the date of and during the period of such entrustment be deemed to be included in the lines of railway collectively designated as the Eastern lines, the Island of Newfoundland shall be deemed to be included in the expression "select territory" and through traffic moving by water between Port aux Basques and North Sydney shall be treated as all-rail traffic.

"(3) Upon entrustment to Canadian National Railway Company of the lines of railway mentioned in subsection (2), Canadian National Railway Company shall forthwith file with the Board of Transport Commissioners for Canada tariffs of tolls applicable to the carriage of traffic within, to and from the Island of Newfoundland and such tariffs in so far as preferred movements are concerned, shall comply as far as appropriate with the provisions of the said Act.

"(4) Notwithstanding the provisions of Section 330,



331, 334 and 335 of the Railway Act the tariffs initially filed under subsection (3) shall be effective from the date of entrustment." (Unquote).

6. During the negotiations of the Terms of Union, obviously some provision had to be made for matters which could hardly take the form of Constitutional enactment, and so a distinction had to be drawn between Government policy as such and matters of an enduring nature which could be properly and safely inserted in the proposed B.N.A. Act, 1949, implementing the Terms of Union.

7. Accordingly, simultaneously with the signing of the Terms of Union, under covering letter from The Right Honourable the Prime Minister of Canada, a Memorandum was delivered to the Newfoundland Delegation covering Government policy on matters which, in the words of The Right Honourable the Prime Minister, "were scarcely of a Constitutional nature."

8. Section 21, Page 11, of the Memorandum dealing with the important question as to the future of Secondary Industry in Newfoundland after Union, reads as follows:-  
(Quote)

"(xvi) SMALL INDUSTRIES -- It is recognized that there will inevitably be some dislocation of Newfoundland's Secondary Industries as result of Union. The extent of such dislocation, however, is difficult to measure, since much will depend on the individual approach to the problems that is made by the management and owners of the Industries concerned.

"The Canadian Government will do all that it can to assist secondary industries in Newfoundland in their efforts to meet such problems as may arise. The extensive facilities of the Department of Trade and Commerce will







be available to assist in procurement of raw materials from other parts of Canada or from abroad. The Department will continue to maintain an office in St. John's for at least two or three years, and longer if necessary. The Canadian Commercial Corporation, which carries the responsibility of purchasing for the Armed Services, will maintain a local representative in Newfoundland and every effort will be made to ensure that an appropriate volume of purchases for Government account will be made locally. Further, the Department of Trade and Commerce will establish at Ottawa a committee of senior officials to work as a team to ensure that special enquiries and problems of Newfoundland receive as prompt and effective attention as possible." (Unquote).

#### RAIL AND WATER CARRIAGE

9. Speaking to the House of Commons on the questions of Rail and Water Carriage and the economy of Newfoundland under Confederation the Prime Minister, the Right Honourable Louis S. St. Laurent, made the following observations which appear on Page 608, Volume 88, Number 16 of Hansard, February 16th, 1949:- (Quote)

"That is something also which was carefully discussed with the representatives of Newfoundland, and they were told that all these matters would have to be taken into consideration by the transport commissioners. What is provided is that this connection to Port aux Basques is a part of the railway rate, but the maritime rate will apply within Newfoundland. It does not apply now to the traffic carried by water from Halifax to any point in Newfoundland; but in determining what will be proper rates to charge for rail movement the board will have to take all appropriate factors into consideration; the delegates from Newfoundland finally were satisfied with this position;



that we do not want to have things happen which will interfere with the economy of Newfoundland, and we do not want things to happen which will interfere with the usual trading practices of the Maritime Provinces, we hope that instead of there being interference there will be promotion of trade relations, and that is something with which the Board of Transport Commissioners will have to deal. Of course they have no jurisdiction with respect to water rates, and they will have to take into account what the water rates are in fixing tariffs for goods that will be apt to move by water out of the Port of Halifax after having been carried by rail from some other point in Canada." (Unquote).

#### SOME ECONOMIC CONSIDERATIONS

10. A very small proportion of the incoming freight to Newfoundland is carried by rail, and it follows that the determination of a fair and equitable freight rate structure for Newfoundland demands that Carriage of Goods by Sea rates must be regulated and subsidized in the same or somewhat similar manner as Rail rates, by regulatory rates over ships engaged in inter-Provincial carriage in the Maritime region. Then the rate structure for Newfoundland covering both rail and Carriage of Goods by Sea will be fixed so as to offset the economic, geographic, climatic and other disadvantages which our insular position and as the most Easterly Province under Confederation presently places Manufacturers in Newfoundland, thereby providing equality of opportunity and competition with Manufacturers on the Mainland.

11. One of the basic considerations in bringing about Union was the economic development of Newfoundland for the benefit of the people of Newfoundland as well as for the



general benefit of Canada. This development can only take place if proper facilities are provided so that traffic moving within, into, or out of Newfoundland (rail and sea) is moved under such conditions as will place Newfoundland in a competitive position with the Maritimes specifically and the rest of Canada generally, whether by way of special tolls, (rail and steamship), subsidies, or other manner as the exigencies may reasonably require.

#### OPERATED IN TRUST

12. It would seem to us that considerable confusion exists in the mind of the ordinary citizen as to the degree in which the Canadian National Railways is concerned over its operation of the Newfoundland Services. In fact, this same confusion works in the minds of some of the officials of the Canadian National Railways with a number of whom we have come in contact.

13. Newfoundland has been guaranteed certain treatment under the Terms of Union. The means by which this is carried out does not hinge on the matter of the dollars and cents involved in the operation of the Newfoundland Railway and Coastal Steamer Systems. We submit that Section 32 of the Terms of Union lends itself to no other interpretation.

14. The fact that proper operation of the Newfoundland Railway and Coastal Steamer Systems may be expensive has no bearing whatever upon the implementation of the Terms of Union. The cost should be borne by the Dominion and not by the traffic which might pass over the line.

15. The operation of the Newfoundland Railway is not a commercial undertaking. It is a political measure designed to compensate the Province for the geographical,





economic, and other disadvantages thrust upon it when it became the Tenth Province of Canada.

16. In reality the Canadian National Railway Company operates its Newfoundland business as an instrument of the Federal Government. As far as it is within the power of the Railway, in its handling by the Canadian National Railways System and the Newfoundland Railway and Coastal Steamer System of its portion of the Province's importing and local distribution, it is obligated to put into effect the constitutional guarantees of the Terms of Union, irrespective of cost.

17. To our inexperienced minds, the manner in which the operation should be regarded is fixed by a very good precedent right before our eyes in the matter of the Clarenville Fleet of Boats. These are operated on behalf of the Newfoundland Provincial Government by the Canadian National Railway Company.

18. The operation of the entire Newfoundland and Coastal Steamer Systems, (and, in fact, all sections throughout the Dominion which may have to operate at a loss as a matter of National policy and directive) must be recognized as an operation on behalf of the Federal Government. As stated in paragraph 5, page 3, the Railway System in Newfoundland is, quote, "entrusted to the Canadian National Railway Company for management and operation." Unquote. Most certainly its finances might well be removed from the Operating Account of the Railway, and shown among special Deficit Accounts.

19. It cannot be overemphasized that prior to Confederation, Newfoundland's economy had evolved under a protective tariff system. Confederation swept away this protection with the result that something in substitution therefor must be immediately provided if





Secondary Industry is to survive at a worth-while level in Newfoundland.

20. Moreover, an inevitable consequence of Confederation was to shut out from the Newfoundland buyer the United States market as a source of supply, thereby resulting in a greater demand upon Canadian products and Newfoundland rail facilities which prior to Union were hopelessly inadequate.

#### COSTS STILL HIGH UNDER CONFEDERATION

21.(a) Newfoundland's main source of manufactures' raw materials before Confederation was the highly competitive low-price market of New York, and the goods came to St. John's in short order by water.

(b) Under Confederation, however, purchases mainly have to be made in Upper Canada at much higher prices, and brought in arduously by rail at higher rates.

(c) Moreover, the protective tariff wall under which the pre-Confederation economy of the Island was evolved, have been removed, and the finished products have to compete in prices with those made from lower-costing raw materials.

(d) It is between the jaws of these two high cost factors, of bringing in raw materials and the combined troubles of high cost of distribution and low price, that Newfoundland Secondary Industries are strangling to death (and, in fact, will expire unless substantial relief is provided in the very near future).

(e) While the landed cost of some raw materials is slightly less than that anticipated under Union by the removal of Customs duties and the assistance which would otherwise be forthcoming under a fair and equitable freight rate structure, in point of fact, a review of some of the major Secondary Industries reveals very little change in the landed cost of raw materials to Newfoundland since



Confederation. Moreover, there is no comparison with the corresponding revenue received from the sales of the finished products.

(f) The result of this has been that some eight of the Secondary Industries in Newfoundland, are either already gone or are on the way out of existence. It follows, therefore, that this must be the ultimate fate of the major portion of the Secondary Industries in Newfoundland unless this very grave situation is immediately relieved.

22. We believed that the promise of immediate assistance to Secondary Industry in Newfoundland would include, inter alia, a freight rate structure calculated to provide a laid-down cost to the Manufacturer in Newfoundland equalling the cost to Manufacturers all over Canada and especially those within a point of close proximity to the source of raw materials; to provide cheap distribution of our finished products in Newfoundland; and to provide Newfoundland Manufacturers the equality of opportunity in competing in markets throughout Canada at least mile-for-mile with their Maritime competitors. In point of fact, the exact opposite is the case.

THE EFFECT OF HIGH FREIGHT RATES ON COSTS OF RAW  
MATERIALS AND GENERAL PRICE LEVEL

23. It is an inescapable conclusion that the unduly high and unconstitutional freight rate structure applying to Newfoundland results in both a prohibitive laid-down cost of raw materials to the Manufacturer there, and explains why the general price level in Newfoundland is so much higher than that obtaining throughout the Maritime Provinces, as will more fully appear by the following illustrations:-



## A. FRESH BEEF

| Toronto to:            | <u>Miles</u> | <u>1st LCL</u> | <u>4th CL</u> |
|------------------------|--------------|----------------|---------------|
| Saint John, N.B.       | 810          | 1.50           | .94           |
| North Sydney, N.S.     | 1268         | 1.64           | 1.04          |
| Sydney, N.S.           | 1286         | 1.64           | 1.04          |
| Port aux Basques, N.F. | 1368         | 2.25           | 1.41          |
| Corner Brook, N.F.     | 1510         | 2.66           | 1.72          |
| St. John's, N.F.       | 1915         | 2.92           | 1.88          |

It will be observed that the Freight Cost at St. John's, Newfoundland, is:-

Over 80% above North Sydney, N.S. and  
Double that at Saint John, N.B.

## B. FLOUR

| Fort William, Ont., to: | <u>Miles</u> | <u>All Rail</u> | <u>Lake &amp; Rail</u> |
|-------------------------|--------------|-----------------|------------------------|
| St. John, N.B.          | 1495         | .59             | .54                    |
| North Sydney, N.S.      | 1861         | .66             | .61                    |
| Sydney, N.S.            | 1876         | .66             | .61                    |
| Port aux Basques, N.F.  | 1961         | .90             | .85                    |
| Corner Brook, N.F.      | 2103         | 1.12            | 1.07                   |
| St. John's, N.F.        | 2509         | 1.22            | 1.17                   |

Extra cost over Saint John, N.B. 63¢ or 106%

Extra cost over North Sydney, N.S., 56¢ or 104%

The Freight increases the cost of Flour 63¢ a Bag.

## C. SUGAR

| Montreal, Quebec, to:  | <u>Miles</u> | <u>Carloads</u> |
|------------------------|--------------|-----------------|
| St. John, N.B.         | 488          | .66             |
| North Sydney, N.S.     | 940          | .72             |
| Sydney, N.S.           | 956          | .72             |
| Port aux Basques, N.F. | 1056         | 1.03            |
| Corner Brook, N.F.     | 1182         | 1.29            |
| St. John's, N.F.       | 1615         | 1.41            |

Extra cost over Saint John, N.B., .75 or 115%

Extra cost over North Sydney, N.S., .69 or 92%

The Freight increased cost of sugar 75¢ a Sack.





## D. GENERAL RATES

| Toronto, Ont., to:                    | <u>Miles</u>    | <u>1st</u> | <u>2nd</u> | <u>3rd</u> | <u>4th</u> | <u>5th</u> |
|---------------------------------------|-----------------|------------|------------|------------|------------|------------|
| Saont John, N.B.                      | 810             | 1.50       | 1.32       | 1.13       | .94        | .76        |
| North Sydney, N.S.                    | 1268            | 1.64       | 1.43       | 1.25       | 1.04       | .82        |
| Sydney, N.S.                          | 1286            | 1.64       | 1.43       | 1.25       | 1.04       | .82        |
| Port aux Basques, N.F.                | 1368            | 2.25       | 1.95       | 1.71       | 1.41       | 1.12       |
| Corner Brook, N.F.                    | 1510            | 2.66       | 2.33       | 2.04       | 1.72       | 1.38       |
| St. John's, N.F.                      | 1915            | 2.92       | 2.56       | 2.24       | 1.88       | 1.51       |
| Extra cost over Saint<br>John, N.B.   |                 | 1.42       | 1.24       | 1.11       | .94        | .75        |
|                                       | <u>Per cent</u> | 94         | 94         | 98         | 100        | 99         |
| Extra cost over North<br>Sydney, N.S. |                 | 1.28       | 1.13       | .99        | .84        | .69        |
|                                       | <u>Per cent</u> | 85         | 86         | 87         | 90         | 90         |

## HIGH ARBITRARIES ON FREIGHT RATES

24. In fixing the freight rates on through traffic to Newfoundland an unjustifiably high differential has been imposed as against that applied in the case of Saint John, New Brunswick, and Sydney, Nova Scotia, which we consider a grave negation of our Constitutional rights under Section 32 of the British North America Act, (1949), as will be seen from the following:-



# HIGH ARBITRARIES IMPOSED ON INCOMING NEWFOUNDLAND FREIGHT

|                                                 | Miles | 1   | 2   | 3   | 4   | 5   | 6   | 7   | 8   | 10  |
|-------------------------------------------------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Toronto to Saint John, N.B.                     | 810   | 150 | 132 | 113 | 94  | 76  | 70  | 52  | 54  | 49  |
| Toronto to Sydney, N.S.                         | 1294  | 164 | 143 | 125 | 104 | 82  | 78  | 56  | 59  | 54  |
| Differential over Saint John, N.B.              | 484   | 14  | 11  | 12  | 10  | 6   | 8   | 4   | 5   | 5   |
| Toronto to Grand Falls, N.F.                    | 1650  | 292 | 256 | 224 | 188 | 151 | 145 | 111 | 114 | 103 |
| Differential over Sydney, N.S. on Nfld. Traffic | 356   | 128 | 113 | 99  | 84  | 69  | 67  | 55  | 55  | 49  |
| Montreal to Saint John, N.B.                    | 488   | 132 | 114 | 98  | 82  | 66  | 62  | 48  | 49  | 45  |
| Montreal to Sydney, N.S.                        | 963   | 147 | 126 | 110 | 92  | 72  | 69  | 52  | 54  | 49  |
| Differential over Sydney, N.S.                  | 475   | 15  | 12  | 12  | 10  | 6   | 7   | 4   | 5   | 4   |
| Montreal to Grand Falls, N.F.                   | 1319  | 274 | 240 | 208 | 176 | 141 | 136 | 107 | 109 | 97  |
| Differential over Sydney, N.S. on Nfld. Traffic | 356   | 127 | 114 | 98  | 84  | 69  | 67  | 54  | 55  | 48  |

From stations west of Montreal to stations in the Maritimes through-rates are constructed by adding arbitraries to the Montreal rate. Eastward from Saint John and Moncton, rates are constructed by adding arbitraries to the Saint John Rate.

From the above it will be seen that from Montreal to Sydney the first-class arbitrary over Saint John, N.B., is 15 cents, while from Montreal to Grand Falls, a distance of 356 miles beyond Sydney, the first-class arbitrary is \$1.27.

The crux of the matter is how the Canadian National Railways, in the light of the Terms of Union, can justify this difference of from 15 cents to \$1.27 in the arbitraries.



## ARBITRARIES ON EXPRESS RATES

25. In the matter of arbitraries on Express rates, for the same reasons advanced in the next preceding clause, we consider our Constitutional guarantees have been abridged as the following figures will reveal:

## ARBITRARIES ON EXPRESS RATES

(Example: 50 lbs. Bottlers' Syrup, value \$50)

|                                   | <u>Miles</u> | <u>Rate</u> |
|-----------------------------------|--------------|-------------|
| Toronto, Ont. to Saint John, N.B. | 810          | 5.00        |
| North Sydney, N.S.                | 1268         | 5.50        |
| Differential                      | 458          | .50         |
| St. John's N.F.                   | 1915         | 7.50        |
| Differential over North Sydney    | 647          | 2.00        |

This also adds a very neat sum to Newfoundland's cost of production and cost of living.

Incidentally, it has been brought to our attention that through-rates on carload fruit and vegetables by express from Toronto to Newfoundland have been refused by Canadian National Railways Express.



26.

VERY SMALL DECREASE IN THROUGH-RATES AFTER  
CONFEDERATION

|                                                              | 1          | 2          | 3          | 4          | 5          |
|--------------------------------------------------------------|------------|------------|------------|------------|------------|
| Old. Vancouver, B.C.-N.Sydney, N.S. (CFA No. 4F)             | 711        | 587        | 466        | 368        | 315        |
| plus N.Sydney, N.S.-St. John's, N.F. (Nr No. 123)            | <u>130</u> | <u>120</u> | <u>110</u> | <u>100</u> | <u>90</u>  |
| Total                                                        | 841        | 707        | 576        | 468        | 405        |
| Through-Rate after Union (CFA No. 4F)                        | <u>829</u> | <u>692</u> | <u>557</u> | <u>446</u> | <u>379</u> |
| Decrease                                                     | 12         | 15         | 19         | 22         | 26         |
| %                                                            | 1.4        | 2.1        | 3.3        | 4.7        | 6.4        |
| Add 8% Increase of October 11, 1949, to obtain present rate. |            |            |            |            |            |
| Old. Galt, Ont.-N.Sydney, N.S. (CNR-C45)                     | 166        | 146        | 124        | 105        | 82         |
| plus N.Sydney, N.S.-St. John's, N.F. (Nr No. 123)            | <u>130</u> | <u>120</u> | <u>110</u> | <u>100</u> | <u>90</u>  |
| Total                                                        | 296        | 266        | 234        | 205        | 172        |
| Through-Rate after Union (CNR-C45)                           | <u>284</u> | <u>251</u> | <u>215</u> | <u>183</u> | <u>146</u> |
| Decrease                                                     | 12         | 15         | 19         | 22         | 26         |
| %                                                            | 4.0        | 5.6        | 8.1        | 10.7       | 15.1       |
| Add 8% Increase of October 11, 1949, to obtain present rate. |            |            |            |            |            |
| Old: London, Ont.-N.Sydney, N.S. (CNR-C45)                   | 174        | 152        | 131        | 109        | 87         |
| plus N.Sydney-St. John's, N.F. (NR-123)                      | <u>130</u> | <u>120</u> | <u>110</u> | <u>100</u> | <u>90</u>  |
| Total                                                        | 304        | 272        | 241        | 209        | 177        |
| Through-Rate after Union (CNR-C45)                           | <u>292</u> | <u>257</u> | <u>222</u> | <u>187</u> | <u>151</u> |
| Decrease                                                     | 12         | 15         | 19         | 22         | 26         |
| %                                                            | 3.9        | 5.5        | 7.9        | 10.5       | 14.6       |
| Add 8% Increase of October 11, 1949, to obtain present rate. |            |            |            |            |            |
| Old: Toronto, Ont.-N.Sydney, N.S. (CNR-C45)                  | 152        | 132        | 116        | 96         | 76         |
| plus N.Sydney, N.S.-St. John's, N.F. (NR 123)                | <u>130</u> | <u>120</u> | <u>110</u> | <u>100</u> | <u>90</u>  |
| Total                                                        | 282        | 252        | 226        | 196        | 166        |
| Through-Rate after Union (CNR-C45)                           | <u>270</u> | <u>237</u> | <u>207</u> | <u>174</u> | <u>140</u> |
| Decrease                                                     | 12         | 15         | 19         | 22         | 26         |
| %                                                            | 4.2        | 5.9        | 8.4        | 11.2       | 15.6       |
| Add 8% Increase of October 11, 1949, to obtain present rate. |            |            |            |            |            |





|                                                              | 1          | 2          | 3          | 4          | 5          |
|--------------------------------------------------------------|------------|------------|------------|------------|------------|
| Old: Montreal, Que., to N.Sydney, N.S. (CNR-C45)             | 136        | 117        | 102        | 85         | 67         |
| plus N.Sydney-St. John's, N.F. (NR 123)                      | <u>130</u> | <u>120</u> | <u>110</u> | <u>100</u> | <u>90</u>  |
| Total                                                        | 266        | 237        | 212        | 185        | 157        |
| Through-Rate after Union (CNR-C45)                           | <u>254</u> | <u>222</u> | <u>193</u> | <u>163</u> | <u>131</u> |
| Decrease                                                     | 12         | 15         | 19         | 22         | 26         |
| %                                                            | 4.5        | 6.3        | 9.0        | 11.9       | 16.5       |
| Add 8% Increase of October 11, 1949, to obtain present rate. |            |            |            |            |            |

# NEWFOUNDLAND RATES 28% ABOVE MARITIME LEVELS

27. The present freight rate structure applies to Newfoundland the Maritime "Mileage" Tariff C-17 as the against/much lower "Town" Tariff C-19 obtaining in corresponding instances throughout the Maritime Provinces, resulting in a comparative overcharge to Newfoundland of approximately 28% as will be seen from the following comparison:-

## TOWN TARIFF C19 COMPARED TO MILEAGE TARIFF C17

| <u>131 Miles</u>                                  | 1          | 2         | 3         | 4         | 5         |
|---------------------------------------------------|------------|-----------|-----------|-----------|-----------|
| 133 miles: Bie Quebec to Campbellton, N.B.        | 66         | 57        | 50        | 41        | 32        |
| 131 Miles: St. John's, N.F., to Clarenville, N.F. | <u>76</u>  | <u>67</u> | <u>56</u> | <u>48</u> | <u>38</u> |
| Overcharge in N.F.                                | 10         | 10        | 6         | 7         | 6         |
| %                                                 | 15         | 18        | 12        | 17        | 20        |
| <u>253 Miles</u>                                  |            |           |           |           |           |
| 254 miles: St. John, N.B., to Blackland, NB       | 79         | 69        | 58        | 52        | 39        |
| 253 miles: St. John's, N.F., to Lewisporte, N.F.  | <u>102</u> | <u>89</u> | <u>77</u> | <u>64</u> | <u>51</u> |
| Overcharge in N.F.                                | 23         | 20        | 19        | 12        | 12        |
| %                                                 | 29         | 29        | 33        | 23        | 33        |



|                                                        | 1   | 2   | 3   | 4   | 5  |
|--------------------------------------------------------|-----|-----|-----|-----|----|
| <u>276 Miles</u>                                       |     |     |     |     |    |
| 278 miles: St. John, N.B. to Halifax, N.S.             | 79  | 69  | 58  | 50  | 39 |
| 276 miles: St. John, N.B., to Campbellton, N.B.        | 83  | 73  | 63  | 52  | 42 |
| 276 miles: St. John's, N.F., to Grand Falls, N.F.      | 105 | 92  | 79  | 66  | 52 |
| Overcharge in N.F.                                     | 22  | 19  | 16  | 14  | 10 |
| %                                                      | 27  | 26  | 26  | 26  | 24 |
| <u>405 Miles</u>                                       |     |     |     |     |    |
| 405 miles: Oak Bay, Que., to Halifax, N.S.             | 105 | 92  | 79  | 66  | 52 |
| 405 miles: St. John's, N.F., to Corner Brook, N.F.     | 136 | 119 | 102 | 85  | 68 |
| Overcharge in N.F.                                     | 31  | 27  | 23  | 19  | 16 |
| %                                                      | 30  | 29  | 30  | 29  | 31 |
| <u>547 Miles</u>                                       |     |     |     |     |    |
| 547 miles: Sydney, N.S., to Upsalquitch, N.B.          | 114 | 100 | 86  | 72  | 57 |
| 547 miles: St. John's, N.F., to Port aux Basques, N.F. | 162 | 141 | 122 | 100 | 81 |
| Overcharge in N.F.                                     | 48  | 41  | 36  | 28  | 24 |
| %                                                      | 42  | 41  | 42  | 40  | 42 |

28. Not more than Three or Four Per Cent of the railway traffic on the Mainland moves by "Mileage" Tariff.

Any question as to Tariff C-19 for the Maritimes being "special" or "temporary" should certainly be answered by the fact that the "Town Tariff has been in operation there since 1912.

The argument that Tariff C-19 is incapable of application to Newfoundland is absurd. There is nothing more clearly defined as "headline towns" than the Newfoundland Distributive points which already exist at the head of each Bay and Road System, and are in full use by Newfoundland Wholesalers and Bottlers.



# VIOLATION OF TERMS OF UNION

29. Moreover, the operation of Tariff C-19 in the Maritimes, as opposed to the introduction of Tariff C-17 in Newfoundland, not merely discriminates against the Newfoundland Manufacturers but would seem to be a patent violation of Section 32 (2) of the Terms of Union.

30. By the application of the high through-rate differential for Newfoundland and the introduction of Maritime Mileage Tariff C-17 in lieu of Town Tariff C-19, we consider that the Constitutional guarantees of the people of Newfoundland under Section 32 (2) of the Terms of Union have, and are being, daily violated by the Canadian National Railways.

31. In effect, we find ourselves in the paradoxical position where an agent of the Federal Government is being permitted to defeat the Terms of Union to which its Principal, namely, the Federal Government, is irrevocably committed.

32. Furthermore, neither on domestic rates, which are 28% higher in Newfoundland, nor on rates to the West Newfoundland markets, in which the Maritime Manufacturer has a 7% advantage, has the Newfoundland Manufacturer equality of rates with his Maritime competitor, as is evidenced by the following:--

| <u>374 Miles</u>                                    | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
|-----------------------------------------------------|----------|----------|----------|----------|----------|
| 374 Miles: Saint John, N.B., to Iona, N.S.          | 94       | 82       | 70       | 58       | 48       |
| 374 Miles: Halifax, N.S., to Port aux Basques, N.F. | 112      | 99       | 84       | 71       | 56       |
| 374 Miles: St. John's, N.F., to Deer Lake N.F.      | 120      | 106      | 90       | 76       | 61       |





427 Miles

427 Miles: Moncton, N.B., to Ste. Claire, 102 89 77 64 51  
Que.

427 Miles: Moncton, N.B., to Port aux Basques,  
N.F. 127 112 95 80 64

427 Miles: St. John's, N.F., to Howard's,  
N.F. 141 124 106 89 72

546 Miles

546 Miles: Sydney, N.S., to Sellers  
Que. 114 100 86 72 57

547 Miles: Bathurst, N.B., to Port aux  
Basques, N.F. 151 132 112 94 75

547 Miles: St. John's, N.F., to Port  
aux Basques, N.F. 162 141 122 100 81

IMMEDIATE PAST HISTORY OF RAIL RATES IN NEWFOUNDLAND

33. We would point out that prior to Confederation the Government of Newfoundland tried to operate its transportation system upon a so-thought profit-making basis, and, in consequence, freight rates since 1942 were increased at least three times resulting in a continuously increasing state of diminishing returns which redounded to the prejudice of the Railway in increasing deficits because the costs of distribution to the consumer were beyond his capacity to meet.

34. The increases in rail rates from 1942 to 1949 in Newfoundland were not justifiable and were not warranted by any corresponding increase in operating costs during the period in question, as shown below in paragraphs 35 and 37.

35. Since the 1942 period, the Canadian Railways increased their rates 21%, plus the recent 8% thereon, or a total of 30.6%.

Applying the same formula to the Newfoundland rates gives the following result applied to, for instance, St. John's to Port aux Basques, 547 miles:--



| Class | Nfld.<br>1942 | Plus<br>30.6% | Nfld. C-17<br>1948-1949 | Plus 8%<br>Oct.11/49 | Out-of-line                |
|-------|---------------|---------------|-------------------------|----------------------|----------------------------|
| 1     | 85            | 111           | 150                     | 162                  | 51                         |
| 2     | 75            | 98            | 131                     | 141                  | 43                         |
| 3     | 64            | 84            | 113                     | 122                  | 38                         |
| 4     | 54            | 71            | 93                      | 100                  | 29                         |
| 5     | 43            | 56            | 75                      | 81                   | 25                         |
|       |               |               |                         |                      | Average<br>45%<br>too high |

36. One of the features the Association deplores (and of which it is now even more fearful since the separate identity of the Newfoundland Railway and Coastal Systems became submerged in the huge Canadian National System upon the amalgamation consequent upon Union) is the seemingly accepted principle of applying straight horizontal increases to rates. This, the Association believes, is vicious in principle, and in a very specialized economy and geography like Newfoundland's, is obviously disastrous.

NEWFOUNDLAND RAILWAY FREIGHT INCREASES 1942-1949  
The following increases were made by the last five  
Tariff Changes:--

1. Base tariff No. 95, December 1, 1942.
2. No. 104 (40% Increase), March 1, 1944.
3. No. 119 (13% Increase), August 1, 1947.
4. No. 124 (7½ to 10% Increase), December 15, 1948.

Note particularly that it is this No. 124 Tariff which first introduced the name of the "No. C17 Maritime Mileage Tariff" into Newfoundland. This particular tariff was one which suited the level of the increase set by the Commissioner for Public Works, and it was adopted for Newfoundland because in view of impending Confederation it was felt a C.N.R. Tariff would be a good form to use.



After Confederation CNR continued the same form practically unchanged with no lowering of rates.

5. The recent 8% increase as of October 11, 1949.

Out of these Tariffs we are taking three distances from St. John's:-

"G" -- Grand Falls 276 Miles

"C" -- Corner Brook 405 Miles

"P" -- Port aux Basques 547 Miles

# SOME MANUFACTURES

Less Than Carload; Cents per Hundred Lbs.

|                | <u>1942</u> |    |    | <u>1944</u> |     |     | <u>1947</u> |     |     | <u>1948-49</u> |     |     | <u>Oct. 11, 1949</u> |     |     |
|----------------|-------------|----|----|-------------|-----|-----|-------------|-----|-----|----------------|-----|-----|----------------------|-----|-----|
| <u>CLASS 1</u> | G           | C  | P  | G           | C   | P   | G           | C   | P   | G              | C   | P   | G                    | C   | P   |
| Clothing       | 57          | 73 | 85 | 80          | 104 | 124 | 90          | 119 | 135 | 97             | 126 | 150 | 105                  | 136 | 162 |

# CLASS 2

|               |    |    |    |    |    |     |    |     |     |    |     |     |    |     |     |
|---------------|----|----|----|----|----|-----|----|-----|-----|----|-----|-----|----|-----|-----|
| Biscuits      | 50 | 64 | 75 | 70 | 91 | 108 | 79 | 105 | 119 | 85 | 110 | 131 | 92 | 119 | 141 |
| Confectionery |    |    |    |    |    |     |    |     |     |    |     |     |    |     |     |
| Margarine     |    |    |    |    |    |     |    |     |     |    |     |     |    |     |     |

|                |    |    |    |    |    |    |    |    |     |    |    |     |    |     |     |
|----------------|----|----|----|----|----|----|----|----|-----|----|----|-----|----|-----|-----|
| <u>CLASS 3</u> | 43 | 55 | 64 | 60 | 78 | 93 | 68 | 89 | 102 | 73 | 94 | 113 | 79 | 102 | 122 |
|----------------|----|----|----|----|----|----|----|----|-----|----|----|-----|----|-----|-----|

Beer  
Soft Drinks  
Rope  
Paint  
Stoves (crated)

|                |    |    |    |    |    |    |    |    |    |    |    |    |    |    |     |
|----------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|
| <u>CLASS 4</u> | 36 | 46 | 54 | 50 | 65 | 77 | 55 | 75 | 85 | 61 | 79 | 93 | 66 | 85 | 100 |
|----------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|

Nails in Kegs

|                |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
|----------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| <u>CLASS 5</u> | 29 | 37 | 43 | 40 | 52 | 62 | 46 | 65 | 69 | 48 | 63 | 75 | 52 | 68 | 81 |
|----------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|

See below

|      |     |     |     |     |     |     |     |     |     |    |    |     |    |     |     |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|----|-----|----|-----|-----|
| PLUG | 114 | 146 | 170 | 160 | 208 | 248 | 180 | 238 | 270 | 73 | 94 | 113 | 79 | 102 | 122 |
|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|----|-----|----|-----|-----|

TOBACCO

(Double Class 1)

CIGARETTES

|        |     |     |     |     |     |     |     |     |     |    |     |     |     |     |     |
|--------|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|-----|-----|-----|-----|-----|
| (Ctns) | 143 | 183 | 213 | 200 | 260 | 310 | 225 | 298 | 338 | 97 | 126 | 150 | 105 | 136 | 162 |
|--------|-----|-----|-----|-----|-----|-----|-----|-----|-----|----|-----|-----|-----|-----|-----|

(2½ Times Class 1)

CARLOADS

|      |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
|------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| Beer | 29 | 37 | 43 | 40 | 52 | 62 | 40 | 50 | 58 | 48 | 63 | 75 | 52 | 68 | 81 |
|------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|

|        |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
|--------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| Soft   |    |    |    |    |    |    |    |    |    |    |    |    |    |    |    |
| Drinks | 29 | 37 | 43 | 40 | 52 | 62 | 40 | 50 | 58 | 39 | 46 | 53 | 42 | 50 | 57 |

|         |    |    |    |    |    |    |    |    |    |    |    |    |    |    |     |
|---------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|
| General | 29 | 37 | 43 | 40 | 52 | 62 | 46 | 65 | 69 | 61 | 79 | 93 | 66 | 85 | 100 |
|---------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|-----|

NOTES: Cigarettes and Tobacco considerably lowered. Beer increased to Class 5 carload by CNR. General mixed carloads taken out of Class 5 by CNR (generally Class 4 now, depending on highest-rated commodity in car).



COASTAL-RATE INCREASES 1942-1949

38.

ZONES NUMBERED:-

1. Placentia Bay, South West Coast, Trinity Bay.
2. Notre Dame & Green Bays.
3. LaScie to Cook's Harbour.
4. Corner Brook to Battle Harbour.
5. Labrador.

- - - - -

1. No. 100 March 1/43  
(This is the earliest tariff which makes clear reading. Previous to this the rates were those which started in 1913 with the Reid Nfld Co. and were amended by a multitude of frequent alterations).
2. No. 108 November 28/46  
(10% and better general increases)
3. No. 117 April 1/47  
(40% increases, fishermen's essentials in many cases, however, not touched).
4. No. 121 May 1/48  
(10% increases on barrelled goods, fishermen's essentials favoured).
5. The recent 8% increase in Railway rates was not added to Steamer rates.

There are no classifications of Goods, other than through special rates. Rates are by weight or by cubic foot (whichever is greater). In addition to which is a rate by barrel (that is, goods packed in barrels enjoy a fixed sum by barrel, recognized as 250 lbs.)





| Zone         | 1943     |          |          |          |          | 1945     |          |          |          |          |
|--------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|              | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
| Barrel       | 55       |          |          | 65       | 65       | 65       | 66       | 67       | 70       | 75       |
| Hundred Lbs. | 45       |          |          | 60       | 85       | 50       | 52       | 55       | 70       | 85       |
| Cubic Foot   | 12       |          |          | 17       | 17       | 12       | 12       | 12       | 17       | 17       |

| Zone                                | 1947     |          |          |          |          | 1948                                |          |          |          |          |
|-------------------------------------|----------|----------|----------|----------|----------|-------------------------------------|----------|----------|----------|----------|
|                                     | <u>1</u> | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> | <u>1</u>                            | <u>2</u> | <u>3</u> | <u>4</u> | <u>5</u> |
| Barrel                              | 100      | 110      | 110      | 110      | 90       | 110                                 | 121      | 121      | 121      | 99       |
| Hundred Lbs.                        | 70       | 90       | 90       | 100      | 100      | 70                                  | 90       | 90       | 100      | 100      |
| Cubic Foot                          | 12       | 13       | 15       | 17       | 17       | 13                                  | 14       | 17       | 19       | 19       |
| Cigarettes<br>in Cartons            | 150      | 240      | 240      | 270      | 240      | 165                                 | 264      | 264      | 297      | 260      |
| Choice of cubic above<br>to Railway |          |          |          |          |          | Choice of cubic above<br>to Railway |          |          |          |          |



39. It may be fairly estimated that the Railway Revenue of the Newfoundland System for 1948-49 will be:-

Total Revenue for the Year - - - - - \$5,000,000

This will probably be made up of:

Local-Freight Revenue: Miscellaneous - 1,875,000

Bulk - - - - - 1,875,000

Imported-Freight Revenue- - - - - 1,250,000

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\$5,000,000

#### OVERCHARGE INDICATED

28% on \$1,875,000 Local Miscellaneous - 525,000

10% on \$1,875,000 Local Bulk - - - - - 187,500

25% on \$1,250,000 Imported - - - - - 312,500

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\$1,025,000

Moreover, the picture is not complete without having regard to the far greater volume of ocean freight, on which the rates, under the present setup, are largely governed by railway-rate level. Any overcharges in the latter reflect in the former.

It is to be understood that since no exact information is available, while the figures employed may not be critically correct they do, however, reflect the Association's impression of the situation, and serve to indicate the huge burden borne by Newfoundland under the present railway rate structure, part of which is carried by Secondary Industry.

#### DANGEROUS POSITION OF SECONDARY INDUSTRY

##### IN NEWFOUNDLAND UNDER UNION

40. In great contrast to the darkened Newfoundland picture is the fact that the Maritime Cordage-Manufacturer in Halifax, Nova Scotia, is enabled by Freight-Rate Assistance to ship competitively into the large British Columbia fishery-supply market. The Stove-maker At Sackville, New Brunswick, sells his appliances right in Vancouver, British Columbia, and the Biscuit-maker at Moncton, New Brunswick, also markets his products right through



the Pariries to the Coast.

41. Their Newfoundland competitors, all of whom produce a first-class article which is competitive in quality, including the Paint and several Industries which are geared for Mainland trade, should be assisted and encouraged by special rates to produce for Dominion-wide markets. We understand these are contemplated.

42. Of grave concern to Newfoundland is that Secondary Industry in Newfoundland will fall into the pattern of Maritime Industry which exhibits its darkened and broken windows of formerly-prosperous factories to the notice of the most casual passer-by.

43. Before the Duncan Report and the introduction of special Commodity rates, Secondary Industries in the Maritime Provinces, which would otherwise have continued in a healthy state, for want of the very little assistance which a proper appreciation of the problems involved would have provoked, slowly but inexorably strangled to death, causing irreparable shocks to the Provincial economies.

Now, both Federal and Provincial authorities are trying to revive Secondary Industry in these areas on the largest possible scale. It is self-evident that, without this type of re-industrialization, the sound economy which proper industrialization of any Province will alone produce, cannot exist.

44. The inglorious history of Secondary Industry in the Maritimes after Union in 1867 must not be repeated in Newfoundland. Unfortunately, the decline has already set in, and serious disintegration of the Newfoundland economy is swift and inevitable unless immediately checked. The Association feels there is reluctance to fulfill the solemn guarantees of the Terms of Union. Whatever the reason, the fact remains that the just requirements of the situation have not been met.

45. Even the application of the Maritime Freight Rates Act to Newfoundland means little, if anything, in the way of relief, for we believe that a reduction in Railway tolls, either to the





level of those obtaining in the Maritimes or below that level, by virtue of the small percentage of inward freight carried, is quite inadequate to relieve in a worth-while way the perilous condition in which Secondary Industry presently finds itself in Newfoundland.

46. It follows, therefore, that the application of the Maritime Freight Rates Act to Newfoundland can, at best, only provide a partial remedy, since the Act merely prescribes a Twenty (20) Per Cent reduction in rates for specified freight-movements on the lines of the Canadian National Railways in the Maritime Province and Newfoundland and in certain Eastern parts of Quebec, and authorizes other Railway Companies operating lines in the same territory to reduce their tariffs to meet the prescribed rates.

47. Of far greater importance, therefore, because of the relatively larger volume of traffic, is the subsidization of steamship rates in the same or somewhat similar manner to that applying to rail traffic under the Maritime Freight Rates Act. We, therefore, feel that there must be regulation of Carriage of Goods by Sea rates on ships engaged in inter-Provincial carriage within the Maritime region, if any relief is to enure to the people of Newfoundland.

48. The equality of opportunity with Mainland Manufacturers, which was envisaged by inclusion of Newfoundland into Canada, required offsetting the additional charges incidental to long hauls, broken transportation, costly transfer charges, breakage, pilferage, additional insurance and other economic features in the operation of the Newfoundland Railway System. Both because of its insular position, and as the most Easterly Province of the Dominion, special rates for Newfoundland are necessary in providing it with a competitive rate-structure within the Maritime region.

49. If the Canadian National Railways arbitrarily fix freight-rates on a basis disproportionate to rates prevailing in the Maritimes, and absorb in their freight structure the handling costs incidental



to loading and discharging at Port aux Basques and Sydney as well as the increased cost of transportation arising out of the narrow gauge system, then the Canadian National Railway Authorities are sabotaging the spirit of the Terms of Union.

50. The arbitraries established over Sydney as shown herein are disproportionate to similar mileage arbitraries in the Maritime. The effect is that the receiver and/or shipper in Newfoundland is being discriminated against. The cost of living is inevitably adversely affected as a result, and an economic barrier is being erected against the user of the national transportation facilities for the shipment of goods to the Canadian markets.

51. The Association should like it to be clearly understood that it does not profess to be expert up n the questions of freight rate structures, subsidies, etc. Unfortunately the opposite is the case. Its Members do, however, as businessmen in Newfoundland, know the problems which daily confront them, and the statistics o figures cited herein are the businessmen's impression of the situation and are cited here as reflecting the position, as the Association understands it, with a view to having them pursued by the freight experts of the Royal Commission should that be deemed necessary or desirable.

52. The Association submits that under Section 32 of the Terms of Union, the Province of Newfoundland generally and Secondary Industries particu arly would receive a freight rate structure competitive with the Maritimes, and that is the patent object of Section 32 (2) which places Newfoundland within "the Maritime region of Canada."

53. Because of inadequate rail facilities and for the other reasons cited herein, it was recognized that the application of the Maritime Freight Rates Act could offer no appreciable relief and, indeed, for these and other reasons, would be incapable of worth-while application to Newfoundland and hence the expression "as far as appropriate" is employed in Section 32(3) of the Terms of Union.



54. It, therefore, follows that before Newfoundland can receive a freight rate structure competitive with that as part of the Maritime region, obtaining in the Maritime Provinces, it must be made applicable to both Carriage of Goods by Sea and Rail rates, with the additional allowances necessary to offset the geographic, economic, and other disadvantages arising out of our position as the most Easterly Province of the Dominion.

. . . . .

#### RECOMMENDATIONS

THAT:

1. Secondary Industry must be fostered and maintained if calamitous repercussions to the economy of Newfoundland are to be avoided.
2. Improvements must be made in existing Railway and Port facilities.
3. Newfoundland Railway and Coastal operations should become independent of the Atlantic Region and come under the direct supervision of Montreal.
4. Readjustment of local rates for Railway and Coastal Services should be adjusted on the recommendation of a permanent Advisory Committee to the railway management.
5. A new rate structure should be made applicable immediately to Newfoundland, calculated to ensure:-
  - a. Special rates on Raw Materials moving from the Mainland for processing in Newfoundland, so that the laid-down cost to Manufacturers in Newfoundland will be equalized to the cost to Manufacturers elsewhere in the Dominion.
  - b. Special rates within Newfoundland providing economic distribution within and throughout the island.
  - c. Special rates to Newfoundland Manufacturers to create equality of opportunity in competing for Dominion-wide markets;
  - d. In general the rates for Newfoundland to be on such a basis as will facilitate marketing in the Maritime Provinces to the extent necessary to off-set the geographic and economic





disadvantages arising out of our insular position, and as the most Easterly Province of Canada, thus providing Newfoundland with a freight rate structure truly competitive with that applying throughout the Maritimes.

6. The regulation of freight rates should include Carriage of Goods by Sea as well as Rail traffic by placing the same under the jurisdiction of the Maritime Commission or some other statutory body with the necessary regulatory powers.

Respectfully submitted,

J. B. McEVOY,

Counsel for the Associated Newfoundland Industries, Limited.





Now, may it please your lordship and Mr. Commissioners, as I said in the beginning, my lord, my only endeavour here this morning will be to restate or recapitulate as briefly as possible the general position that secondary industry finds itself in in Newfoundland as a consequence of the economic, geographic and other disadvantages within the meaning of the Terms of Reference by which Newfoundland, since March 31, 1949, finds itself the tenth province of Canada. I would first of all direct your attention to the top of page 2 of the brief which sets forth in extense "term 32 of the Terms of Union". Section 32(1) states:

"Canada will maintain in accordance with the traffic offering a freight and passenger steamship service between North Sydney and Port aux Basques, which, on completion of a motor highway between Corner Brook and Port aux Basques, will include suitable provision for the carriage of motor vehicles."

(Page 9755 follows)

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Now, I have no intention of going out of my way to advance a technical argument. I am not proceeding as if I were applying for a tariff judgment, but in so far as it is possible for me to do so, I will endeavour to confine myself to effect rather than a technical submission of our position in this matter.. I, perforce, must direct the attention of the Royal Commission to the expression of "will maintain service in accordance with the traffic offering". I respectfully submit without being unduly technical, the greater volume offering, the greater the rail service.

THE CHAIRMAN: That is, the service should be commensurate with the traffic?

MR. McEVOY: That is my respectful submission, My Lord. When this clause was being framed, and for which I must answer to posterity, and what is even more embarrassing to a contemporary, to envisage that one of the essential results of the union was to convert Newfoundland from an export market to a domestic market. Now even the most cursory examination of Newfoundland's will reveal that in 1937 and 1938 we purchased \$8 million worth of merchandise in the Dominion of Canada. In 1947 and 1948 immediately before union we purchased in Canada and the United States a total of \$110 million, \$55 million of which was purchased only in Canada and the remaining \$55 million being purchased in the United States. The effect of the union, therefore, meant that our trade operations would be immediately shifted from the United States to Canada, and it was envisaged that the result of Confederation converted Newfoundland from an export market into a domestic market, which resulted in a potentiality to Canada of \$110 million worth of purchases



from the mainland and, therefore, we must assume that the immediate<sup>result</sup>/of union was to double the amount of traffic handled by the CNR system. In point of fact, what percentage of that traffic is, in fact, carried by the Canadian National System? I am instructed that the proportion carried by the C.N.R. on rail carriage is 10 percent, and 90 percent carriage of goods by sea. I, therefore, respectfully submit that we have been quite conservative in the brief because we say there is something less than 1/3 of the traffic carried by the C.N.R. I am instructed that the amount actually carried is 10 percent, and that, I respectfully submit, and with all due respect to the counsel for the C.N.R., is /attributable to inadequate rail facilities. I have no quarrel with the policy of the C.N.R. for the very excellent reason that I am not qualified either by mentality or experience to express any opinion upon the merits of these policies. I respectfully submit that the policy of the C.N.R. under terms of union constitutionally guaranteed to the people of Newfoundland that it would be modified or altered to meet the exigencies. I respectfully submit that if my figures are even approximately correct that the provisions or requirements of section 31 are not being fulfilled. Now, it is pertinent to ask at this time, "what about the figures, 10 percent that is, in point of the fact, being carried by the C.N.R. into Newfoundland?"

What is the rate structure applying thereto, and what is the rate structure that has to be applied there? I would present for your consideration subclauses 2 and 3 of section 32. The subparagraph says, "for the purpose of railway rate regulations the rate of Newfoundland will





be included in the Maritime parts of Canada". The  
the  
legislation of/Parliament of Canada with regard to  
special rates of traffic moving into or out of the  
Maritime region as far as appropriate, was made  
applicable to the Island of Newfoundland. Therefore,  
it is pertinent to ask at this time as to the conjoint  
effect of the two subsections in question. I respect-  
fully submit with whatever force I am capable of, that  
the conjoint effect in the two paragraphs in the  
sections in question leaves itself to no other inter-  
pretation than that subsection 2 states that Newfoundland  
was to be part of the Maritime region.

THE CHAIRMAN: Is that proposition disputed  
today?

MR. McEVOY: I do not know that it is, my lord.

THE CHAIRMAN: You say that you understand by  
this subsection 2 that Newfoundland was to be considered  
as coming within the provisions of the Maritime Freight  
Rates Act.

MR. McEVOY: Yes, my lord.

THE CHAIRMAN: Is that disputed?

MR. McEVOY: I think it is generally accepted  
for a reason I am going to come to in a few moments.  
I think that position is universally accepted, my lord,  
because by Bill No. 12, an amendment to the Maritime  
Freight Rates Act of 1949 calculated to implement  
or give effect to subparagraph 2 of section 32.  
Section 13 provides:

"Subject to this section the Maritime Freight  
Rates Act, Chapter 79, of the Revised Statutes of  
Canada, 1927 applies mutatis mutandis to all lines  
of railway in the Island of Newfoundland that are  
subject to the legislative authority of the



Parliament of Canada."

I respectfully submit that if there was any doubt in your lordship's mind on this question that that doubt is immediately resolved in our favour by the fact that this amended Act is calculated to implement requirements or necessities in subparagraph 2 of section 32 in the Terms of Union. Now, that leads us, therefore, to assume that under subparagraph 2, Newfoundland was to be part of the Maritime region. What rate structure was to be applied to Newfoundland as part of that region? Section 33 provides

"All legislation of the Parliament of Canada providing for special rates on traffic moving within, into, or out of, the Maritime region will, as far as appropriate, be made applicable to the Island of Newfoundland."

I should like to draw the attention of the Commission to sections 3 and 4 of the Maritime Freight Rates Act, 1927, which, under the amendment to the Maritime Freight Rates Act 1949, under Bill No. 12, was made applicable to Newfoundland. Section 3 reads as follows:

"All persons or companies controlling, or concerned in the preparation and issue of tariffs of tolls to be charged in respect of the movements of freight traffic, whether on behalf of His Majesty or otherwise, upon or over the Eastern lines specified in Section 4 of this Act, and hereinafter called "preferred movements", are hereby authorized and directed upon and after the first day of July, one thousand nine hundred and twenty-seven, to



- (a) cancel all existing freight tariffs in respect of such preferred movements;
- (b) substitute other tariffs for the tariffs so cancelled showing a reduction in such tariffs of approximately twenty per cent."

My respectful submission at this time is that because of the patent requirements to section 32, subsections 2 and 3, and because of the admitted implementation of the two subsections any question that was in doubt is clearly evidenced by the amendment of the Maritime Freight Rates Act 1949 that the C.N.R. within the meaning of the Act was authorized and directed to cancel all existing freight tariffs in respect to such traffic movement showing a reduction in such tariffs of approximately 20 per cent. That naturally brings up the question, "Was the existing freight rate structure at the time of Union cancelled by the application to the Board and in substitution there was a new structure in conformity to the requirements of sections 3 and 4 of the Act in question?

THE CHAIRMAN: Do you say that this new rate structure should also be approximately 20% less?

MR. McEVOY: I am going to come to that, if your lordship will bear with me.

What was the position at the time of union?  
At the time of union there was in operation in



Newfoundland the Canadian National Railway Tariff "C7D". I am instructed that some time prior to 1912 this tariff had been in operation throughout the Maritime Region but on or before the 1912 tariff in question was withdrawn and, in substitution, there was put in operation the town-to-town tariff "C19" which presently operates throughout the select region of the Maritime Provinces to-day. How did "C17" come into operation? In the Fall of 1948 when the terms of union were being negotiated, there was a railway strike, and to offset the increased overhead or operating expenses the Commissioner for Public Utilities, under whose jurisdiction the railway came, directed the management to increase freight rates by 10%.

THE CHAIRMAN: The wages were increased?

MR. McEVOY: Yes, my lord, and the wages were very greatly increased, and to offset the increased operating costs, the Commissioner for Public Utilities directed the railway management to effect a general increase of 10% in rail and coastal rates.

(PAGE 9770 FOLLOWS)





With Confederation just around the corner the Railways management in effecting this 10 per cent increase quite naturally looked to the Canadian freight rate structure to see if they could obtain something which would meet the particular requirements of that case. By sheer coincidence this old antiquated tariff C-17 was found to meet the then requirements. Quite coincidentally it provided the 10 per cent increase necessary to permit the railway management to carry the directive of the Commissioner for Public Utilities into effect. That is the tariff that we are operating in Newfoundland until today, notwithstanding the fact that the rest of the select region is operating on the town tariff C-19.

THE CHAIRMAN: The rest of the region, you say, is operating under some other tariff.

MR. McEVOY: The Maritime region or select territory as it is known, that is to say, all the territory (put it this way) east of Levis and Diamond Junction, that is eastern Quebec, the Maritime Provinces, and which should not include Newfoundland.

THE CHAIRMAN: It does not, include Newfoundland?

MR. McEVOY: It does not, because tariff C-19, the moment that the Maritime Freight Rates Act by the 1949 amendment became applicable to Newfoundland, and it did, I respectfully submit that it was the duty of the Railway Company to whom the railway had been entrusted for management, to obtain the approval of the Board here to strike out or cancel C-17 and to substitute therefor the town to town tariff C-19 which was in operation and is still in operation in and throughout the rest of the select territory,



or, as I said before, the Maritime region.

THE CHAIRMAN: Now then, the railway has not done that?

MR. McEVOY: The railway has not done that My Lord.

THE CHAIRMAN: Has the railway been asked to do it, and has it refused?

MR. McEVOY: My Lord, there have been overtures made to the railway, but I don't know that there has been any official, I cannot say that there has been any official representation made to the railway by the Provincial Government, but I do know that private enterprise has repeatedly claimed the benefits of the town to town tariff C-19 without being able to obtain the same. It is just not in operation.

THE CHAIRMAN: Has any approach been made to the Board of Transport Commissioners in this respect?

MR. McEVOY: No, My Lord, but I understand that the province is making application to the Board of Transport Commissioners which in all probability I think, My Lord, will be heard on or about December 15.

THE CHAIRMAN: On this very point?

MR. McEVOY: Well, I am not too sure. I do not know what the nature of the application will be.

THE CHAIRMAN: Just a moment Mr. McEvoy.

MR. COVERT: Mr. Chairman, we have been advised by counsel for the Province of Newfoundland, Mr. P. J. Lewis, that they have entered into the present negotiations with the Canadian National Railways, and the province has filed a supplementary brief with this Commission on freight rates.



and have advised us that pending negotiations with the C.N.R. and also pending an application which has been filed with the Board of Transport Commissioners they have simply filed this in case they do not get what they consider is proper treatment at either one of those two places.

THE CHAIRMAN: Yes, I see . Now, how does that affect your view of the matter, Mr. McEvoy?

MR. McEVOY: For reasons to which I propose to almost immediately advert, it is immaterial.

HE CHAIRMAN: It is what?

MR. McEVOY: Immaterial.

THE CHAIRMAN: What is immaterial?

MR. McEVOY: this proposed application to the Board of Transport Commissioners, because I respectfully submit, my lord, that all that would be needed would be 10 per cent of the traffic. It is the other 90 per cent that I wish to address your lordship on, because, as I said before ---

THE CHAIRMAN: Why do you say this affects only the 10 per cent?

MR. McEVOY: Because ' only 10 percent of the inward freight offering can be carried by rail owing to the inadequate rail facilities. They cannot handle any more and the remaining 90 per cent has to be handled as carriage of goods by sea.

THE CHAIRMAN: Then you say that provision must be made by rail for the other 90 per cent?

MR. McEVOY: No,, I was going to come to that. Frankly what I am submitting is that after pointing out the factual position as it appeared to us, to try and impress on this Royal Commission the necessity





of including in your recommendations to Parliament the regulation of carriage of goods by sea rates, so that both by regulating sea and rail rates we could get into a somewhat comparable position as if we were annexed or adjoined to the mainland and therefor capable of being serviced by the sea and air system.

THE CHAIRMAN: What regulates the present sea rates?

MR. McEVOY: They are left entirely to competition my lord.

THE CHAIRMAN: Is it carried by Canadian vessels?

MR. McEVOY: In some cases in the main, yes. Now, since confederation came, obviously we are purchasing in the industrial provinces of Quebec and Ontario millions of dollars of raw materials and goods, wares and merchandise, which up to the time of union we purchased in the United States at lower rates and which could be shortly and promptly and much more cheaply carried.

THE CHAIRMAN: Is it your view that the rates being charged now are too high?

MR. McEVOY: We think they are. We think that unless something is done to relieve the position of secondary industry here, that we are doomed to extinction, pretty well so. Already my lord, although the ink is hardly dry on the terms of union, the fact is that five of the major secondary industries have gone out of existence. Without wishing to violate any professional confidences, I am advised, and I verily believe, that three more are on the way out, and all the rest --



THE CHAIRMAN: Are you at liberty to give us the names of the five that have gone out of business as you say?

MR. McEVOY: Well, I would have no objection to filing that information with you privately, my lord, but I would not like to announce it now.

COMMISSIONER INNIS: You don't think that the rates on the 10 per cent which is covered by rail will be sufficiently affected by way <sup>of</sup> competition?

MR. McEVOY: I don't think so sir. I do respectfully submit that as far as the industrial economy of the country is concerned, you can let that 10 per cent be. It will make no appreciable difference to the industrial economy of the country. There is the other 90 per cent of the problem to be dealt with if secondary industry is to survive.

COMMISSIONER INNIS: You say the rates are not low enough. Would not one have the impression that they should be higher if they are to give any protection to the secondary industries?

MR. McEVOY: It is the cost of raw materials that is altogether too high. The actual position is that the secondary industry has been forced to cut its prices from 20 to 40 per cent since union in the endeavour to meet competition from the mainland.

COMMISSIONER INNIS: What you would want is lower rates for raw material.

MR. McEVOY: Lower rates, through rates.

COMMISSIONER INNIS: And possibly higher rates on manufactured products?

MR. McEVOY: And higher rates on manufactured products, yes.



THE CHAIRMAN: Is that so?

MR. McEVOY: Yes,

THE CHAIRMAN: That the rates going into Newfoundland should be lowered?

MR. McEVOY: Should be lowered.

THE CHAIRMAN: In respect of raw materials.

MR. McEVOY: Yes.

THE CHAIRMAN: And an increase in respect of manufactured products, is that right?

MR. McEVOY: Well, if you applied in respect of manufactured products, town to town tariff C-19, I think that would take care of the internal situation.

THE CHAIRMAN: How can you apply that tariff to ships?

MR. McEVOY: Apply the town to town tariff, that is to say, town to town movements within Newfoundland

THE CHAIRMAN: But after the goods get to Newfoundland?

MR. McEVOY: After the goods get to Newfoundland and are processed. I think the tribunal has probably seen figures advanced by the province to the extent that it is contended by the province that the failure to introduce town to town tariff C-19 is resulting in overcharges to the province of \$4,537,000 a year. I want to say this, that I am afraid I cannot agree with that figure at all. I think it is altogether too extreme, but I do feel that there is an overcharge to the extent of \$1,025,000 as is set forth in page 17 of the brief.

Now, put simply or put briefly, my lord, we submit that the redistributive costs of merchandise, already manufactured merchandise, brought in from the mainland and then which has to be shipped from town to



town throughout Newfoundland or the distributive cost attendant upon the movement of manufactured goods after the raw materials have arrived and been processed, means that we are paying today 28 per cent higher than we should have been called upon to pay, would have been called upon to pay had town to town tariff C-19 been made applicable instead of town to town tariff C-17 which now obtains.

Page 9795 follows





Further than that, the distance standard mileage rates were not withdrawn to the Maritimes at all, but in addition to standard mileage rates there was also the laid down tariff rates, all of which would have enured to us had our constitutional guarantees under Section 32 been implemented and promptly and properly carried into effect. I therefore respectfully submit that with respect to inward freight and re-distributive rates by shipping the goods from town to town after they do arrive in Newfoundland, that our freight rate structure is 20% higher than it would have been had the Terms of Union been implemented and carried into effect resulting in an overcharge. And I am being perhaps conservative when I say that this is not \$4,575,000 as the Province alleges but in our opinion \$1,025,000.

Now, we are hearing a lot these days, My Lord, about the intention of the Government to set up a Royal Commission to investigate profiteering in Newfoundland because the general price level in Newfoundland is very much higher than that obtaining throughout the Maritime Provinces. I would say hereas I have said to the Honourable Premier of the Province, instead of thinking in terms of Royal Commissions and profiteering if he would look at his freight rate structure he would find that the general price level in Newfoundland is something like 20% higher than it would have been had Section 32 of the Terms of Union been implemented and carried out and town-to-town tariff C.19 been made applicable as was their definite intention in both Section 32 of the Terms of Union and the implementation thereof by Bill No. 12 - 49 amending the Maritime Freight Rates Act and making the same applicable to Newfoundland. All I respectfully submit that the Canadian National has done



is to continue in existence this antiquated tariff C.17 which had been introduced by a Commission in Newfoundland approximately some eight months before we entered Confederation.

Now, my lord, the time has nearly gone. We respectfully submit that Newfoundland's industry is in a very, very, precarious position. Without being tediously repetitious, I would again point out the very important effect upon our small industrial economy if anything ever happens to secondary industry in Newfoundland. To / <sup>the</sup> small economy of ours, the continuation of secondary industry is so important that if I spend the next three weeks arguing about nothing else, I could hardly exhaust the importance of my subject. Secondary industry employs 4,000 people and 30,000 people indirectly, that is to say, coopers and box-makers and all those other people who supply the needs of the secondary industry in Newfoundland. So that in the main you can say that directly and indirectly one-tenth of the population of Newfoundland, 30,000 people, is dependent upon secondary industry for an existence. The annual payroll is \$4,000,000; the volume of sales is \$23,000,000. Now already, as I before said, my lord, five industries have gone the way of all flesh and three are on the way out and if the future of secondary industry can be safely prophesied in the light of the immediate past history of secondary industry in Newfoundland, then unless substantial relief is immediately forthcoming I am afraid that the day of secondary industry is over in Newfoundland.

In so far as the freight traffic is concerned, I respectfully submit that special rates should be given on raw materials which have to be moved from the industrial centres of Ontario and Quebec for processing in Newfoundland, because, my lord, even with regard to the 10% of the inward



traffic, we want to remember that we have to haul this all over 700 miles east of Cape Breton. We have broken transportation at Port aux Basques and Nova Scotia; we have breakage attendant upon triple handling. There is the insurance and all the other economic factors which enter into the operation of the Canadian National Railway system in Newfoundland or between Sydney and St. John's Newfoundland. With regard to the other 90%, we respectfully submit that something must be done about it. Operating at peak capacity, the best that the Canadian National Railways has been able to do with the inadequate rail facilities at their disposal, is to move 10% of the freight offering for transportation from the mainland to Newfoundland.

Well, as I see the picture, even if you make the Maritime Freight Rates Act, as I respectfully submit the Government is bound to do under the Terms of Union and as it apparently intended to do when it amended the Maritime Freight Rates Act a few months ago, you are still begging the question because you will have this other 90% to deal with. And if you deal with the freight rate structure in Newfoundland, or if survival of secondary industry is contingent upon such relief as may be forthcoming by and from the application of the Maritime Freight Rates Act, then I am afraid, my lord, that we have wasted our time on this problem. Therefore, I respectfully submit that this Royal Commission should recommend either one of two things, that the rail facilities of the Canadian National Railway must be increased irrespective of cost so as to provide transportation in accordance with the traffic offering in literal conformity to Section 32, Clause 1, or that the Maritime Freight Rates Act will be made applicable to freight movement from town to town in Newfoundland, that is





to say, town-to-town tariff C.19, special rates on raw materials moving from Central Canada to Newfoundland and that carriage of goods by sea rates must be regulated by going beneath the jurisdiction, say, of the Maritime Freight Rates Commission or some other statutory body, so that the overall picture would result in a freight rate structure for Newfoundland so as to provide the same rate structure as would have ensued had Newfoundland been joined onto the other Maritime Provinces and, therefore, theoretically capable of being serviced by the Canadian National Railways system.

Now, my lords, I would like to direct your attention to the fact that during the negotiation of the Terms of Union it was recognized that, of course, a distinction had to be drawn between matters of a permanent and enduring nature and which were capable of being safely inserted in the document of statutory guarantees, that is to say, that should properly find themselves in the proposed British North America Act 1949 Amendment, the Terms of Union, and matters of governmental policy which, in the words of the Honourable Prime Minister, were scarcely of a constitutional nature. For example, the clauses fixing the statutory subsidies, education, and things of that sort, were naturally inserted in the British North America Act Amendment of 1949 which amended the Terms of Union, but matters of government policy, a policy that of necessity must be of a flexible nature. What is sound to-day is not so sound to-morrow and policy, of course, varies as the circumstances may require, and it was impossible to write into a constitution that the policy on this resurrection morning be such and such towards secondary industry or to some other aspect of Confederation



which was not necessarily a matter for constitutional guarantee.

So, simultaneously with the signing of the Terms of Union, there was delivered to the Newfoundland delegation under covering letter from The Right Honourable The Prime Minister a statement on questions raised by the Newfoundland delegation, or, as I see it, a statement of policy which would be pursued by the Federal Government on matters of importance to Newfoundland.

Section 21 dealing with secondary industry or small industry reads as follows:

"It is recognized that there will inevitably be some dislocation in Newfoundland's secondary industry as a result of Union. The extent of such dislocation, however, is difficult to measure since it will depend on the individual approach to the problem that is met by management and owners of the industries concerned."

THE CHAIRMAN: Is this your brief you are reading from?

MR. McEVROY: I was not reading from the brief but it is in my brief, my lord. It is to be found at page 3:

"The Canadian Government will do all that it can to assist secondary industries in Newfoundland in their efforts to meet such problems as may arise."

And if there was ever any doubt as to the importance of this question in the minds of both parties who negotiated the Terms of Union, I think that is instantly resolved by the fact that amongst other things it has laid down that a Trade Commissioner will be maintained in Newfoundland for two or three years, or more if necessary, in order to cope with this very problem.

THE CHAIRMAN: Is there a Trade Commissioner there?



MR. McEVOY: Yes, my lord, to deal with this very question. I presume that he is there to deal with this and other problems, but I have to say, I am duty bound to make the statement, that as far as we are concerned he has been unable to do anything for us. In point of fact, nothing has been done for us.

Now, my lord, we have two problems, namely, moving traffic eastward from the industrial provinces of Quebec and Ontario, with particular emphasis upon raw materials. If we are to compete at all with the Maritimes and other portions of Canada, it follows that some relief to secondary industry must be forthcoming; for already we have been forced to cut prices from 20% to 40% and still have not been able to meet competition which explains why five industries have gone into bankruptcy, three are on the verge of it (in fact, I am not so sure that applications in bankruptcy are not already proceeding) and the situation is very, very serious, that of the rights of secondary industry in Newfoundland.

We respectfully submit, that dealing with the 10% aspect of it which is merely begging the question, Newfoundland is an island 85 miles off the east coast of Cape Breton. The ocean is our main highway to the world outside and unless and until -

THE CHAIRMAN: Will you please repeat what you were saying?

MR. McEVOY: My respectful submission is, my lord, that to merely deal with the rail rate aspect of the question is merely begging the question because you are only dealing with 10% of the problem. Operating, I respectfully submit, at peak capacity, the Canadian National is not able to handle more than 10% of the freight offering and, as I see it, no matter what relief or what assistance may be provided in



connection with that 10%, no appreciable difference to the industrial economy of the Island can result in consequence if the other 90% is left unregulated and uncontrolled.

We, therefore, respectfully submit, and the future of secondary industry is absolutely contingent upon this, that unless and until carriage of goods by sea rates is regulated and/or perhaps subsidies to secondary industry are forthcoming, that the days of secondary industry in Newfoundland are very definitely numbered.

Now, my lord, I want to point out that on at least two occasions, famous occasions, Confederation was employed for the purpose of lowering provincial barriers and providing equality of trade to business men everywhere throughout the Dominion in competing for Dominion-wide markets. You will recall in 1864 when dealing with the proposed Intercolonial Railway, that Sir John A. Macdonald, the Prime Minister, the Honourable Mr. Bowell, and the Honourable Mr. Gault definitely took the position that the Intercolonial System was not to be regarded as a commercial enterprise at all, but merely political means of providing union. So that it is clear that equality of opportunity must be provided in so far as freight rate structure can make that possible.

If there was ever any doubt about that, I would now direct the attention of this tribunal to the preamble to the Maritime Freight Rates Act of 1927 which reads as follows:





"WHEREAS the Royal Commission on Maritime claims by its report, dated September 23rd, 1926, has, in effect, advised that a balanced study of the events and pronouncements prior to Confederation, and at its consummation, and of the lower level of rates which prevailed on the Intercolonial system prior to 1912, has in its opinion, confirmed the representations submitted to the Commission on behalf of the Maritime Provinces, namely, that the Intercolonial Railway was designed, among other things, to give to Canada in times of national and imperial need an outlet and inlet on the Atlantic Ocean, and to afford to Maritime merchants, traders and manufacturers the larger market of the whole Canadian people instead of the restricted market of the Maritimes themselves, also that strategic considerations determined a longer route than was actually necessary, and therefore that to the extent that commercial considerations were subordinated to national, imperial and strategic conditions the cost of the railway should be borne by the Dominion, and not by the traffic which might pass over the line; And whereas the Commission has, in such report, made certain recommendations respecting transportation and freight rates, for the purpose of removing a burden imposed upon the trade and commerce of such Provinces since 1912, which, the Commission finds, in view of the pronouncements and obligations undertaken at Confederation, it was never intended such commerce should bear; And whereas it is expedient that effect should be given to such



"recommendations, in so far as it is reasonably possible so to do without disturbing unduly the general rate structure in Canada: Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:--"

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That is just what is exactly happening in Newfoundland today. The cost of the service was definitely proposed by the government. If I ever have an independent impression of what I say, I have it there beyond any misadventure, the authority of the amendment as to the Maritime Freight Rates Act of 1949, which was designed for no other purpose than to clearly and exclusively implement the requirements of Section 32. Why should we ask at this time for a freight rate structure which results in an overcharge of \$1,025,000 when we are struggling for our very existence ourselves?

I propose, with the permission of your lordship and Mr. Commissioners, just to briefly run through the recommendations at the back of the submission.

"1. Secondary industry must be fostered and maintained if calamitous repercussions to the economy of Newfoundland are to be avoided."

I said that before the ink was dry on the terms of Confederation that five industries have gone by the board and three are on the way out.

2. Improvements must be made in existing railway and Port facilities."

Our reason for that, my lord, is to try, if at all possible, to move as much freight as possible by rail. The 10 per cent must be increased to a point where it is reasonable to the C.N.R.

"3. Newfoundland Railway and Coastal operations should become independent of the Atlantic





Region and come under the direct supervision of Montreal".

Our respectful submission there is that Newfoundland has no contact with Montreal. On-the-spot decisions have to be made and they have to go through the Atlantic Region and, therefore, much time is lost at Moncton and then you have to refer it to Montreal and the decision would be made in Montreal. Furthermore, in Newfoundland the steamship lines are an integral part of the railway system as the terms of union will reveal. It was recognized that one could not be divorced from the other for the very obvious reason by virtue of the insular position that there was 6,000 miles of coast line that had to be serviced. Therefore, the coastal steamship operation, which was part of the railway operation was not capable of divorcement and as part of our railway services was trusted to the management of the C.N.R. We feel that the operation of a steamship line is like the operation of a railroad line, a very specialized form of endeavour but that it does not lend itself to proper management when it is directed by railway-minded people, and therefore, we feel that the operation of a coastal system over a 6,000 mile coast line by a railway office in the Atlantic Region is an absurdity, and we say that we should come under Montreal so on-the-spot decisions can be promptly made.

Then we ask for a new rate structure on raw materials from the mainland for processing in Newfoundland, so that the laid-down cost to manufacturers in Newfoundland will be equalized to the cost to



Manufacturers elsewhere in the Dominion.

Perhaps, there are three positions that might obtain there. It might, perhaps, be necessary to assist by providing a new freight rate structure. There might be provided a form of subsidy granted by the Federal Government to secondary industries, or the answer might be found partly in a new freight rate structure and partly in a form of subsidy.

But this much is certain that this potential market of \$110 million a year is already being defeated by virtue of the fact that people are losing employment every day, and it seems to me that whether it is by way of a subsidy or by way of a new freight rate structure, the people should be properly employed, and if that is not done it is going to have to be done because these people are being thrown out on the street and are being supported by the taxpayers of the Dominion. I submit that they should be kept employed at all costs.

"Special rates to Newfoundland manufacturers to create equality of opportunity in competing for Dominion-wide markets."

If we cannot compete, we are out of business. That we are not competing is an evident and a foregone conclusion. It is upon this very vital problem that the existence of secondary industries depend.

Finally, my lord, that the freight rate structure in Newfoundland should include the regulation of carriage of goods by sea. As I have already said, 90 per cent of our things have to be made by water carriages. The railway just simply has not got the



facilities to handle them, and that the regulation of carriage of goods by sea rates should not be placed under the jurisdiction of the Board of Transport Commissioners, which an amendment to the Railway Act of Canada would provide, but rather would be placed under the jurisdiction of the Maritime Commission or some other statutory body set up for the express purpose of regulating the carriage of goods by sea rates.

I would like, my lord, Mr. Commissioners, again to express my deep appreciation, and to thank you for your kindness and patience in hearing me.

THE CHAIRMAN: Is there anything to be said now?

MR. O'DONNELL: Obviously, in view of the arrangements which were made by the Commission Counsel anything that we might need to say would have to be reserved for a later time. The position of the C.N.R., as I understand it, is that the Canadian National Railways complied with the terms of the Government of the Province of Newfoundland concerning rates, and that is presently before the Board of Transport Commissioners, and Mr. Corbett has said that it has been set down for a hearing. I would further say that my understanding is that at the present time arrangements are in progress for the increase of railway facilities, and all traffic that is being offered for carriage is being handled at the present time in one way or another.

MR. COVERT: I think the next submission is that of the Province of Saskatchewan.





MR. MacPHERSON: Your lordship, Mr. F. C. Cronkite K.C. of Saskatoon is appearing with me. In the submission of the province there are a number of figures, 1, 2, 3, 4, I think where the plates are not here, and consequently, so far as the record is concerned these figures cannot be transferred on to the record, and consequently, I have discussed this with Mr. Hunter, and I might now say that these figures so-called, and I am referring to figures like that and that, my lord. They are not figures in tables.

I propose, my lord, to file five copies of the submission as an exhibit.

THE CHAIRMAN: That will be exhibit 128.

---EXHIBIT 128: Five copies of submission of Province of Saskatchewan.

MR. MacPHERSON: I will now call Dr. Brintnell.

DR. G. E. BRINTNELL CALLED

EXAMINED BY MR. MacPHERSON

Q. Dr. Brintnell, you are making a submission on behalf of the Government of the Province of Saskatchewan.

A. Yes, sir.

Q. I think, before you proceed, I would like to qualify you professionally, and I will try to read it into the record without asking you too many embarrassing questions. I believe you had your public school and high school education in the Province of Saskatchewan, and then you attended the University of Saskatchewan?

A. Yes.





Q. From which you secured the degree of B.A. in 1929?

A. Yes.

Q. Then you also attended the University of Toronto?

A. Yes.

Q. From which you obtained the degree of M.A. in the year 1934?

A. Yes.

Q. From the University of Toronto in the year 1938 you obtained the degree of Ph.D.?

A. Yes.

Q. You also attended the London School of Economics and Political Science?

A. Yes.

Q. As to your university appointments, you were an instructor in economics in the University of Saskatchewan from 1930 to 1935?

A. Yes.

Q. And you were a lecturer in economics at the University of Toronto in 1935 and 1936?

A. Yes.

Q. And you were an assistant professor of Economics in the University of Saskatchewan from 1936 to 1938.

A. Yes.

Q. You have been a professor and head of the Department of Political Science in the University of Saskatchewan from 1938 down to the present time.

A. Yes.



Q. You are presently in that position?

A. Yes.

Q. And you are also head of the Department of Economics and Political Science at the University of Saskatchewan, and have been since 1945?

A. Yes.

Q. You have had certain other appointments? I believe you were Economic Advisor to the Government of Saskatchewan in a Royal Commission on Dominion-Provincial relations in 1937?

A. Yes.

Q. You were a member of the Economic Research Staff of the Royal Commission on Dominion-Provincial relations in 1938?

A. Yes.

Q. You were the Chairman of the Dominion Government Royal Commission on the Coal and Mining Industry of Alberta and British Columbia in 1940 and 1941?

A. Yes.

Q. Likewise, you were the Chairman of the Dominion Government Royal Commission on the Coal Mining Industry of Saskatchewan in 1941?

A. Yes.

Q. You were Economic Advisor to the Wartime Prices and Trade Board in Ottawa from 1941 to 1944?

A. Yes.

Q. You have been the Chairman of the Economic Advisory Committee of the Government of Saskatchewan from October 1944, to June 1945?

A. Yes.

Q. You have been a Special Advisor to the Government of Saskatchewan since July, 1945?



A. Yes.

Q. You have been the Chairman of the Saskatchewan Freight Rates Committee since October 1946?

A. Yes.

Q. In addition to that you have had certain other activities that I would like to read into the record:

Canadian Delegate to 5th Conference, Institute of Pacific Relations, Yosemite, California, 1936.

Canadian Delegate to 2nd British Commonwealth Relations Conference, Sydney, Australia, 1938.

Member of Canadian Delegation to International Conference on Food and Agriculture, Hot Springs, Virginia, 1943.

Member, Executive Council, Social Science Research Council, 1948.

Member Executive, Canadian Political Science Association, 1948?

A. Yes.

Q. You were not a freight rate expert?

A. No.

Q. Or a transportation consultant?

A. No.

Q. I suggest to you that one of your books was titled "The Wheat Economy" which was printed by the University of Toronto Press in 1938?

A. Yes.





Q. And then with others, and there was another publication, "Canadian Economy and its Problems".

A. Yes.

Q.. Then you have written numerous technical articles I believe in the Canadian Journal of Economics and Political Science, the American Economic Review, and the Canadian Historic Review, and other journals?

A. Yes.

Q. Now, Dr. Brintnell; you have the submission of the Province before you, and I suggest you now proceed to read the submission.

THE WITNESS: Your lordship, Mr. Commissioners, Part I of the Saskatchewan Submission is a somewhat detailed outline of the Saskatchewan economy, divided into certain sections, some of which I shall merely summarize as I get to them. First, is:

#### PART I

#### THE SASKATCHEWAN ECONOMY

##### 1. Introduction

The Saskatchewan economy is peculiarly dependent on rail transportation because of distance from markets, a high degree of economic specialization, and the bulkiness of products bought and sold.

It is scarcely necessary to stress the geographic location of the province. Producers and consumers in Saskatchewan are farther from the markets in which they buy and sell than are those of any other province. Furthermore, the hundreds of additional miles which lie between the Saskatchewan economy and its markets can be bridged only by rail transportation since neither inland nor ocean waterway facilities extend to the central plains area. The competition of ocean and lake carriers



which offsets to some extent the locational disadvantages of other parts of Canada is of little relative benefit to Saskatchewan.

MR. MACPHERSON: You use the term "relative benefits" there.

A. Yes, relative. We concede that these other forms of competition are affected, but I will enlarge on this point later on.

Q. You will deal with that later on in the submission.

THE WITNESS: Saskatchewan has a considerable variety of natural resources including those basic to agriculture, mining, forest production and fisheries. Like most other communities, however, the province is lacking in certain important resources which contribute to economic diversification. It may be stated with some definiteness that the payment of high freight charges has impeded diversification and in the meantime, for several decades, the grain lands of the province have become less and less productive. In providing a basis for labour productivity, under present conditions, the agricultural resources of the province possess an overwhelming advantage over all or any of the other resources, and among the various agricultural possibilities which exist, the climate, soil and topography of the province compel a high degree of specialization in the production of wheat, with lesser attention to coarse grains, livestock and dairy products.



MR. MACPHERSON: Dr. Brintnell, you have used the term "impeded diversification". Just what do you mean by that?

A. I am thinking of industrial rather than agricultural diversification there, of manufacturing, mining, forestry, and fisheries, rather than agriculture. For instance, we cannot assemble raw materials on low town tariff rates in the West as is possible in the East. The absence of competitive, or the relative absence of competitive rates militates against us. The heavy freight burden of shipping capital goods, machinery, and supplies into Western Canada, and the heavy freight burden on the products shipped out, tend to impede diversification. I am thinking, for instance, of our considerable sodium sulphate industry and its freight rate problems.

THE CHAIRMAN: Where is that industry?

A. There are four plants in Saskatchewan, your lordship - plants at Bishopric, Gladmar and Palo.

Q. Where is Bishopric?

MR. MACPHERSON: Just south of Moose Jaw, my lord.

THE CHAIRMAN: What is the next one?

A. Gladmar.

Q. Where is that?

MR. MACPHERSON: It is directly south of Regina.

THE WITNESS: Palo, which of course is west of Saskatoon, and Chaplin, which is between Moose Jaw and Swift Current. Chaplin is the largest of those three plants. For instance, freight rates or freight charges on the products from the big plant at Chaplin amount to more than 50% of the total cost





of putting the product into the markets.

MR. MACPHERSON: All right, Dr. Brintnell, if you will go on with the brief.

THE CHAIRMAN: Just a moment, I have a question. I understand you to say that one of the things that increases cost in the case of this industry is the lack of competition in carrying the freight, is that right?

A. Yes, lack of effective water and truck competition.

Q. Is truck competition not fitted for this kind of transport?

A. No, you have a product which is bulky in proportion to its value, and in the case of sodium sulphate your markets are nowhere near the area of production. They are in the areas, or largely in Eastern Canada and in British Columbia.

The Saskatchewan economy has developed, therefore, as a highly specialized, staple-producing economy relying heavily on export markets. As a corollary of this, capital and consumer goods produced locally constitute a small proportion of total requirements, with the result that there is heavy reliance on distant sources of supply. Agricultural products normally represent from seventy-five to eighty-five per cent of the net value of production in Saskatchewan.

I may say that over the last five years the figures vary from 74.2% to 84.2%.

The manufacturing which has developed in the province and which accounts for approximately one-tenth of net provincial production is chiefly concerned with





the processing of agricultural products such as wheat, livestock and dairy products. Saskatchewan's manufactured goods therefore must go to outside markets along with the raw materials of the province, and their existence reduces only slightly the degree of specialization which characterizes the provincial economy.

The urban communities of the province do not represent any essential modification of the specialization of the provincial economy. These communities are primarily, and in the great majority of cases exclusively, market centres which serve to assemble the farm produce of the region for export and to distribute the merchandise which has been imported. They are indispensable to the farming community and their prosperity is wholly dependent on the prosperity of the farmer.

As in any staple-producing region, transportation costs are of the utmost importance in determining the margins of profitable employment of labour in Saskatchewan. A general statement of the significance of such costs is that the production of the province nets its producers the world price less freight to world markets, while at the same time goods purchased in the province cost the purchasers the world price plus transportation costs from their point of origin.

MR. MACPHERSON: Have you anything to add on that point?

A. I merely draw attention to the fact that this is a general statement and that this condition is inherent in the nature of world pricing. We have to sell our wheat in competition with the other great wheat producing countries of the world at the



price established under these conditions. On the other hand, we have to buy for the most part trade-marked articles produced largely in Eastern Canada. For instance, our automobiles, our trucks, our combines, our heavy farm machinery are priced to us ~~on~~ factory plus freight basis.

COMMISSIONER INNIS: Is that the same as the world price?

A. Hardly, with respect to consumer goods and to goods which come into Western Canada, since most of them are produced in Eastern Canada. It would be more accurate to say it is a national price determined inside of Canada rather than a world price.

The harsh facts are, of course, that the world can - usually there are exceptions, and there have been exceptions within the last few years - get along without our products; and also since we are not a very large market by any terms, with a population of two and a half million people, they can also get along without selling to us.

THE CHAIRMAN: When you say there are two and a half million people, you mean --

A. I am thinking of the Prairie Region. In the case of Saskatchewan it is only 850,000 people, or it is 851,000 according to the last estimate which came down a week or so ago.

The real productivity and real income of labour in the Province, therefore, depend upon the comparison of these two monetary measures, in each of which transportation costs is of major importance. Any relative lowering of transportation costs in the prairie region or on merchandise going to or from the prairie region holds the promise of marked



expansion in the economic activity of the region. Any pronounced upward revision of railway rates must seriously narrow the margins of economic productivity in the Prairie Provinces.

COMMISSIONER ANGUS: Dr. Brintnell, can you make that more precise in any way? Would a small lowering make a marked difference or would it take a very substantial lowering?

A. I am thinking particularly there, Mr. Commissioner, of our industries. I think, for instance, with respect to our sodium sulphate plants that, given a reduction of freight rates, the conditions of production are such that we could have a marked expansion of that industry. I am thinking also there of the fact that General Motors did establish a plant in Regina before the war, and the effect of the establishment of that plant was to bring in such industries as paint, glass and other industries servicing General Motors. General Motors found that it was an uneconomic proposition generally, although I do not know whether this could be proved, but generally it was reputed that the high freight rates militated against the survival of the plant - which is now an ordnance depot, incidentally, and the plant shut down. But, given a little chance for expansion, there are a great many other industries that could be brought in.

Q. I mean, have you in mind a reduction of the order of 10, 20 or 30 percent, or how big would the reduction in freight rates have to be to produce a significant change?

A. Well, I had not been talking in terms of putting any particular price tag on it. It would vary







tremendously from industry to industry. A relatively small reduction might attract certain industries; other industries, obviously, if you wiped out the freight rate, could not possibly survive.

THE CHAIRMAN: The uncertainty is due to the fact that you say that a relative lowering of transportation costs would bring about a marked expansion. The difficulty is to get a closer relation between the required lowering and the marked expansion it would bring about.

A. Yes, that optimism arises out of hopes from time to time, buoyed up by the establishment of plants like General Motors at Regina, bringing in more industries than we even expected to come in.

COMMISSIONER ANGUS: But you cannot help us at all with an idea of the magnitudes in which we are to think.

A. We propose to try to assist the Commission later on when we come to our specific suggestions.

(PAGE 9842 FOLLOWS)



1  
22  
A. I propose to try to assist the Commission later on when we come to our specific suggestions.

The question of the value of products in comparison to their bulk is important in assessing the impact of freight charges upon an economy. It is a truism that commodities of high value in relation to their bulk are less affected by transportation rates than are commodities comparatively low in value in relation to their bulk. This fact may have regional significance depending upon the types of commodities concerned.

The fact is that agricultural products in general are of comparatively low value in relation to their bulk and the regional significance of this in terms of transportation charges is clear. As for the merchandise imported into the Prairie Provinces, in general it is of considerably greater value in relation to agricultural produce. Nevertheless Prairie Province imports are bulky and cumbersome, the most striking illustrations being offered by farm machinery, automobiles, building supplies and canned goods.

The technology of the wheat farm has been revolutionized within the past twenty years. Wheat growing has, as it is commonly said, become mechanized. One significant result of the process of mechanization has been to increase greatly the relative importance of transportation in the wheat economy. Revolutionary improvements in the internal combustion engine and in equipment to be so powered have practically displaced horses. This has, in effect, moved labourers away from prairie farms into eastern factories and industrial towns. Farm labour which a generation ago was engaged in raising and caring for western work horses, in driving them in the fields, and in raising vast acreages of feed for them, is no longer needed for these purposes.



Instead the equivalent labour is engaged in the manufacture of power equipment and tractor fuel and in the transportation of these products from distant centres to the wheat growing region.

Wheat farming is thus even less self-sufficient and more reliant on transportation facilities than it was a generation ago. Instead of raising his own instruments of power and fuel the farmer imports them, and produces and exports extra wheat with which to pay for them. The railways are not only indispensable to the new agricultural technology, but stand to gain substantially greater traffic thereby.

Railway freight rates can do much to advance or retard the mechanization of prairie farms. Any serious upward revision of such rates would tend to check the use of power equipment in the prairie economy. This would react against the economic interests of the wheat farmer, the eastern manufacturer and industrial labourer, and against the railways through loss of traffic.

Saskatchewan's natural resources are such as to render any appreciable measure of provincial economic self-sufficiency impossible under present conditions. Adequate transportation facilities at reasonable rates are, therefore, not merely the condition of a greater or lesser degree of prosperity but are necessary for the survival of the provincial economy.

Evidence presented to the Commission at its hearings throughout Canada has emphasized the tremendous influence exerted on the Canadian economy



by the freight rate structure. There is probably no other form of charge for service which directly or indirectly affects each individual citizen more than rates charged for the transportation of goods by rail. For the Province of Saskatchewan, depending almost entirely on rail transportation for the export of primary products and for the import of vast quantities of producer and consumer goods, the impact of freight rates bears heavily on a regional economy strained in the interest of national policy.

## 2. Railways, Settlement and Agricultural Development

The geographical disadvantages of the Province of Saskatchewan, arising from its mid-continental position, are obvious. The Rockies and the Selkirks, with all the difficulties they offer to transportation, separate us from the Pacific Coast. A thousand miles of wilderness, yielding relatively little in the way of revenue freight, separate us from the industrial areas of Ontario and Quebec.

I might say 1,000 miles of wilderness might be added to the Province of Manitoba. We are not including that in the 1,000 miles of wilderness.

A further non-productive stretch of territory separates us from the ports of the Maritime Provinces.

Nature denied Saskatchewan any effective alternatives to rail transportation for the movement of freight. There is a complete lack of water routes, whereas in eastern Canada natural waterways, supplemented by canals constructed at great expense to the nation as a whole, provide producers and consumers with alternative forms of transportation which in turn have exerted tremendous competitive pressure on rail rates in that part of Canada.

The Commission adjourned at 12.55 p.m.  
to meet again at 2.45 p.m. (page 9845 follows)





OTTAWA, ONTARIO

Wednesday, November 23, 1949

A F T E R N O O N S E S S I O N

DR. G. E. BRINTNELL RECALLED

EXAMINED BY MR. MacPHERSON

MR. SINCLAIR: Just before you start, Mr Lord, this morning the question of the mileave from Vancouver to Kamloops came up. I said it was 400 miles. I was more than a little out. Via the C.P.R. it is 250 miles and via the Canadian National it is 260 miles.

THE WITNESS: In addition the natural resources of Saskatchewan have set limits to population density, and consequently, to the building of hard-surfaced highways. Weather conditions during a large part of the year prevent highway transportation on anything but a minor scale. Thus the movement of goods by motor carrier is restricted and the bulk of all traffic must move by rail at rates virtually unaffected by truck competition.

On the other hand, Saskatchewan offers many geographical advantages to railway construction and maintenance, the benefits of which, it is submitted are not reflected in the freight rates which its people are called upon to pay. Railway construction costs were low due to the nature of the terrain, gradients are easy, curvature is slight, there is a minimum of cuts and fills of an expensive kind, and there are no serious terminal problems. Maintenance costs likewise are reduced to a minimum. There are no parts of the right of way where



the danger of rock slides requires constant patrolling and rock scaling or regular snow removal. The dry climate ensures the maximum life of ties and wooden structures. It may be fairly stated that Saskatchewan probably offers greater encouragement to cheap and economical railroading than any other region in Canada.

As a matter of national policy, which will be analyzed in some detail in its various aspects in Part II below, the Government of Canada determined that a transcontinental railway should be built wholly within Canadian territory rather than follow the more obvious route which would have necessitated a portion of the line passing through the United States. This was done at very considerable cost not only in construction around the rocky north shore of Lake Superior but in operation since. This portion of the route involves sharp curves, constant patrolling, periodical scaling to avoid rock falls, and above all produces little revenue traffic. It merely supplies a traffic "bridge" between eastern and western Canada.

The national policy of an all-Canadian railway lent support to a "National Policy" of trade and tariffs which could visualize an industrial eastern Canada, linked to the west by rail supplying the demands for producer and consumer goods which would develop with the opening of the prairies to agricultural settlement. The national policy to settle the west and promote an east-west flow of trade again revealed itself in 1897 when lower rates were agreed upon by the C.P.R. and the Government under the terms of the Crow's Nest Pass Agreement for the movement of grain and certain grain



products from the prairies to the east for export and, originally, for the westward movement of a wide range of consumer and producer goods. Thus while natural features of soil, topography, and climate determine the productive capabilities of Saskatchewan its settlement was undertaken and its development has been largely circumscribed in the interests of national policy.

The contribution of Saskatchewan to the economic development of Canada has been closely related to the provision of transportation services. A brief historical review of the basis upon which the prairie west was settled may assist perspective. After Confederation, in 1867, there followed a lengthy period of economic inactivity in Canada coinciding with the world depression which commenced with the economic collapse in 1873. In Canada the depression which ran its full course until 1896, and not even the completion of the Canadian Pacific Railway in 1885, despite the great expectations which this project had engendered, was sufficient to induce economic recovery. The initial development of western Canada required the impetus of favourable conditions in remote parts of the world and the influence of world affairs has, in large measure conditioned the economic well-being of western Canadian producers ever since.

A number of factors, admirably summarized in the Report of the Royal Commission on Dominion-Provincial Relations, facilitated opening up of the Canadian Prairies to wheat production at the beginning of the twentieth century:





"After 1896, the industrialization of Western Europe and the United States proceeded at a pace which amounted almost to a second industrial revolution. In the United Kingdom, France, Germany and the United States, the output of pig-iron and coal doubled between 1895-99 and 1910-14. The rapid growth of population, combined with the crowding of people into large industrial cities, created a rising demand for foodstuffs, particularly cereals. The full impact of this demand was felt in Canada. Hitherto the American West had been the granary for the expanding industrial population of Europe. But most of the good American lands had been taken up and it was natural that further demands for grain would push the frontier into the open plains of the Canadian Northwest."

I am reading from Book I, page 66 of the report. Other conditions were also favourable:

"Between 1896 and 1909-13, ... the average of the prices of all Canadian exports increased 32 per cent, that of grains and flour increased 62 per cent and the price of wheat at Liverpool increased 33 per cent. On the other hand, the average of the prices of Canadian imports rose only 24 per cent and that of manufactured goods 20 per cent in the same period."

Freight rates, both ocean and rail, underwent substantial reductions. Ocean rates in 1896 were only about half the level of 1870-75 and continued their downward trend until 1908. In 1897 the Crow's Nest Pass Agreement fixing rates on grain and grain products eastward and rates on certain



consumer and producer goods westward was signed by the Canadian Pacific Railway and the Dominion Government. In the words of the Royal Commissioners:

"The great decline in transportation costs, the increase in the prices of cereals and the relative cheapening of the factors which entered the costs of production, i.e., manufactured goods and imports in general, suddenly brought the virgin resources of the Prairies within the scope of the international market and within the range of profitable exploitation."

Thus the fundamental prerequisites both for the initial development and for the survival of the prairie economy are an effective world demand for wheat, rail transportation facilities, and low freight rates.

As already indicated, it is not proposed at this point to deal at length with the impact of national policies in all their ramifications. However, some reference must be made to those concerning the settlement of western Canada. Policies adopted in opening up and developing the prairie west were intricately bound up with and indeed formed part of the whole policy of Canadian nationhood. Confederation and the consolidation of British holdings on the North American continent required the expansion of settlement in the Canadian prairies. As the Rowell-Sirois Report points out the Dominion Government had control of all unoccupied lands in the Northwest and Hence the occupation of them was directed by the national purpose of rapid and unhampered settlement. The Report further states,

"The favourable conjuncture of events after 1896, suddenly made the vast Canadian Prairie attractive to settlement. Another set of circumstances made it available almost as soon as its attraction was felt. The comparative uniformity of conditions, the concentration on a single crop and the



ease with which transportation facilities could be provided and cultivation begun in a grassland terrain, meant that practically the whole region became at once profitable and open for development. . . . Henceforth, the speed of development depended upon the availability of men and capital. The Federal Government threw its energies and resources into the provision of both."

This rapid expansion to meet the needs of national policy was made possible by concentration on a single crop. That single crop was wheat. The great staple commodity produced in such quantity and quality in western Canada became a fundamental instrument of Canadian Settlement policy. Its vital importance was clearly recognized by the action of the Government of the day in entering into, and by Parliament in its ratification of, the Crow's Nest Pass Agreement with subsequent protection by statute of the integrity of the rates as prescribed.

The beneficial results of this policy of western development predicated upon the wheat economy flowed to all other parts of Canada and, as the Rowell-Sirois Report declares:

". . . brought the realization of the economic objectives of the Confederation scheme. The Northwest was settled and the Federal Government was able, through its policies and project, to ensure expansion in the older communities of Canada on the basis of that settlement. These communities, restricted by the exhaustion of their own frontiers and confined to a precarious dependence on their own foreign outlets, received a new stimulus from the highly specialized exporting industry on the Prairies which has become the country's principal economic contact with the external world. Wheat transformed the static and





isolated regions into an an integrated and expanding national economy. The rising prosperity which accompanied this growth in interdependence fortified the political structure of Confederation with a common material interest and a national spirit such as had never existed before."

Agricultural settlement in Saskatchewan was, nevertheless, made possible only by the construction of trans-continental railways and branch lines. At the beginning of the century the Canadian Pacific Railway main line traversed the southern portion of the prairie area but, with the exception of short extensions of lines from Manitoba serving a limited area in eastern Saskatchewan, branch lines were confined to one running from Regina through Saskatoon to Prince Albert and another from Moose Jaw through Estevan and thence through American territory to St. Paul. Prior to 1900 agricultural settlement made relatively little progress but after 1900 railway construction encouraged expansion and in turn was stimulated by the rapid influx of population. Prairie conditions facilitated rapid and relatively inexpensive railway construction and mileage increased greatly in the first decade of the century. Settlement tended to anticipate the laying of steel on the semi-arid plains but branch lines were extended into that area between 1911 and 1916. Following the interruption caused by the first World War construction was resumed and the present network of railways serving, and being supported by, Saskatchewan agriculture was practically complete by 1930."

With respect to the fact that that sounds like railway construction, I would like to draw the attention of the Commission to Footnote figure 6, which I would like to read:

'It may be well to note here that despite this rapid extension of rail services overbuilding has not been a marked characteristics of a railway expansion in the





Prairie provinces, for, as Dr. Mackintosh observes after reviewing the difficulties which overwhelmed the Grand Trunk, the Grand Trunk Pacific, and the Canadian Northern and forced the Dominion to take them over, 'it is only fair to say that the disaster resulted from over-construction not in the Prairie sections but in Northern Ontario and Quebec and in British Columbia' (W. A. Mackintosh, *Economic Problems of the Prairie Provinces*, Toronto, 1935, p. 35) "

The close inter-relationship existing between railways and settlement in a pioneer country has been emphasized by many economists and historians in reviewing Dominion land policies in Canada. Large grants of public lands were made by the Government of Canada to the C.P.R. and Dr. Carrothers has pointed out that "the Canadian Pacific Railway . . . became directly interested in the colonization of the prairies for two reasons, first, for the disposal of its land, second, to provide traffic for its lines while Professor Morton, the historian, was led to observe that grants of public lands made the Canadian Pacific, next the Government, the most potent immigration agency in the country."

Saskatchewan, as a Province, came into being in 1905 in the era of active settlement promoted by the Dominion Government. Before considering the results of this rapid expansion in a new country, Table I may be useful in illustrating the rapidity of population growth in the years immediately preceeding, and for the period since the granting of provincial status, the subsequent reverses and rural-urban shifts of population.



(FOR TABLE I -

(FOR TABLE I - POPULATION OF SASKATCHEWAN AND  
DISTRIBUTION BETWEEN URBAN AND RURAL 1901 TO 1946  
SEE PAGE 13 OF EXHIBIT No. 128)

We have lost a good deal of our population in the  
last fifteen years.

Q. That is, there has been a decrease in population  
from 19,210 in 1931 and 18,310 in 1948?

A. Yes.

FOR TABLE II  
NUMBER AND AREA OF FARMS AND ACREAGE UNDER FIELD CROPS  
IN SASKATCHEWAN 1901 TO 1946 - SEE PAGE 14 OF EXHIBIT  
No. 128.

THE WITNESS: In the first two decades of the present  
century, more than 100,000 new farms were established,  
involving an additional farm area of upwards of 40  
million acres, an increase in the improved acreage  
of about 24 million and an increase in the area under  
crop from slightly over half a million acres to almost  
18 million acres. In the next fifteen years, the  
number, area and size of farms increased much more  
slowly and irregularly, Since 1936 the number of  
farms has declined although both the occupied and the  
cultivated areas in farms have increased slightly  
and the average size and cultivated acreage per farm  
have increased substantially as holdings have been  
consolidated to promote more efficient production.

The distribution of rural and urban population  
in Saskatchewan indicates the predominant position  
of agriculture in the provincial economy. Comparative  
statistics showing the percentage distribution of  
the gainfully occupied in Canada in each of the  
Prairie Provinces (Table III) serve to emphasize this  
point still further.

(FOR TABLE III - Percentage distribution  
of Gainfully Occupied by Industry Groups  
for the Prairie Provinces and Canada, 1941 -  
See Page 14 of Exhibit No. 128)



COMMISSIONER INNIS: Q. How do you explain the reduced acreage in the field crops?

A. I think you had passed the margin of economical production and a policy of expansion had to be replaced by a policy of reduction and consolidation.

MR. MacPHERSON: Q. Would you comment particularly on Table III?

A. I should like to point out, for instance, the proportion of gainfully occupied acreage is higher than in Alberta or Manitoba. It is almost 60 per cent against 23 per cent as against the whole of Canada.

(Page 9860 follows)





Thus Saskatchewan has emerged as the greatest producer of food stuffs for export in the Dominion, but remains, by contrast, with the exception of Prince Edward Island the least industrialized of all the provinces of Canada. This situation involves virtually complete dependence on distant sources of supply for vast quantities of consumer and capital goods, practically all of which must be brought into the province by rail. The problem of distribution of such goods to producers and consumers does not, however, stop there. The distributing structure within the province grew up to service the needs of vast areas and relatively sparse population;

"Railway branch lines radiate from the principal cities of Saskatchewan and these centres can scarcely be said to have any commercial or industrial existence independent of agriculture. The cities service most part as distributing centres for the agricultural community so that rail transportation and wholesale trade absorb the energies of a large part of their populations. The wholesale business is concentrated in a few distributing centres of which Regina and Saskatoon are by far the most important, though wholesale services are extended from smaller distributing points such as Moose Jaw, Prince Albert, North Battleford, Swift Current, Weyburn and Yorkton (9) "

((9)) G. E. Brintnell, The Wheat Economy (Toronto) 1939) pp.23-4.

Mr. MacPHERSON: Now, that is a quotation from the book I referred to in qualifying you this morning on the economic situation by yourself?



A: Yes.

Q: And you still subscribe to what was written then in 1939?

A: Yes. The number of distributing points in Saskatchewan is small in relation to the great expanse of the settled area of the province. As a result it is probably true that rail movement of less than carload quantities involves, on the whole, longer hauls than are the rule in other provinces. This has the effect of pyramiding costs to the purchasers of consumer and capital goods, and at least one Saskatchewan consumer group emphasized that these costs bear most heavily on the outlying fringes of settlement. (10) That group was the Homemakers' Clubs, your Lordship. Mrs. Wade your Lordship may remember gave evidence at Regina.

Section 3 is entitled "The Wheat Economy". Wheat production occupies a more significant position in the economic life of Saskatchewan than in that of any other province. Mixed farming, dairying (usually associated in this province with wheat growing or determined by proximity to the larger urban centres), and ranching are important, but the production of wheat is the major concern of more than 80% of Saskatchewan farmers. Two thirds of the land annually seeded to field crops is devoted to the production of wheat, and of the remaining one third, oats, grown by the farmer largely for the feeding of his livestock, claim the larger part. Over a large part of the prairie plains the proportion of wheat to all other field crops rises to more than 80% and in the drier areas to over 90%. Intensive specialization in wheat relative to other grains on the semi-arid plains is a result of the great drought-resisting capacity of wheat and the extremely high quality of the wheat produced. Ranching is a competitor with wheat



in the drier areas of the plains region but diversification or mixed farming, necessitating extensive production of forage crops, is generally negligible.

Wheat acreage expanded rapidly from the opening of <sup>the</sup> / century until 1921 but has since remained relatively stable, as is indicated by Table IV which sets out all the years for which current statistics are available. For the last quarter of a century Saskatchewan has accounted for approximately 60% of the total Western wheat acreage. Since, however, Saskatchewan has shown the largest variations in yield per acre, her contributions to total wheat production have varied greatly although over the last ten years she has produced nearly 60% of the total prairie wheat crop. And I might say that the Prairie Provinces generally produce approximately 95% to 96% of the total Canadian wheat production.

Table V shows the area and production of coarse grains and flaxseed in Saskatchewan over the past half-century and helps to bring these crops into proper perspective as compared to wheat.

Saskatchewan accounts for somewhat more than one third of the oat acreage of Canada and about one half of the oat acreage of the Prairie Provinces. Nevertheless, the volume of shipments out of the province fluctuates widely since most production is for livestock consumption on the farm. Acreage increases in the early 1940's were a reflection of wheat surpluses and of wartime needs for livestock and livestock products. Oat production in the province shows wide variations since the crop is particularly sensitive to drought conditions. Conditions for production are relatively more favourable in the Park belt than in the plains areas where the decline of the horse as a means of power has steadily tended to reduce acreages. While the





greater part of the province's production is normally marketed in the form of livestock and livestock products, problems of disposal of oat surpluses in outside markets arise from time to time.

In recent years Saskatchewan's barley acreage has shown a substantial increase with the province at times occupying the position of the largest producer in the Dominion. Like oats, however, barley is highly susceptible to drought and as a result has been grown most extensively in Eastern and North Eastern areas of the province. High grade barley of malting quality is grown in the area around Preeceville, Canora and North East of Yorkton, in East Central Saskatchewan, and a fairly sizeable export business has grown up with the United States in Yellow seeded smooth-awned barley.

Rye is very much less important in the economy of the provinces than other coarse grains. Yields and, under normal conditions, prices as well, have been such as to offer little encouragement to its production. The greater part of the rye acreage is found on light sandy soils in chronic drought areas where it is frequently sown in the fall to check soil drifting. The history of rye production in the province has been marked by extreme fluctuations in acreage in yield and in price.

The provincial production of flaxseed is of slight importance. In World War II flax acreage increased in response to the need for greater production of oil bearing crops, yet even during this period of good prices and active demand the area sown to flax fluctuated widely reflecting the persistence of production problems. In more normal times, demand has also been uncertain and competition from other sources of supply has been keen. A return to such conditions was indicated in the spring of 1948 when this crop was declared





surplus by the United States Government and a sharp drop in price followed the resulting collapse of E.C.A. financed markets.

(See Table V on Page 17 of Exhibit 128)

The dominant position of wheat in the economy of Saskatchewan and the violent fluctuations in farm income are both emphasized in Table VI which shows the estimated cash income from the sale of farm products in Saskatchewan from 1926 to 1948 inclusive. Various factors such as the incidence of drought conditions national policy and wartime demand, have operated, from time to time, to reduce the income from wheat and to increase the relative importance of other sources, particularly livestock and livestock products.

Q: Now, Dr. Brintnell, referring to Table VI have you worked out the percentage of wheat and can you give that to the Commission?

A: Yes, the average contribution which wheat makes to cash income in Saskatchewan for the whole of the period for which current statistics are available, and that is this period from 1926 to 1948 - a 23 year period, is just a shade under 60%. Sixty percent is near enough for all practical purposes.

Q: That is covering the whole period from 1926 to 1948?

A: Yes, but I might say in connection with the last decade in the second last column "certain government payments" actually the figures in this column might be added to wheat since, as the footnote indicates, they are payments under The Wheat Acreage Reduction Act, The Prairie Farm Income Act, and The Prairie Farm Assistance Act. I think, apart from that, the Table is pretty well self-explanatory.

When practicable and economic, diversification is to



be welcomed and the sections following will deal specifically with each of the segments of the agricultural economy of the province. Yet the fact remains that proceeds from wheat form the actual backbone of provincial farm income. Any circumstance, domestic or international, which affects wheat vitally affects Saskatchewan.

(See Table VI on Page 19 of Exhibit 128)

Survival of the Saskatchewan economy has involved constant efforts to reduce costs in order to meet competition on world markets. Machinery has played an important part in these efforts by the prairie wheat grower to increase his efficiency and reduce his costs of production. The trend to mechanization is illustrated in Table VII. The horse and horse-drawn implements have, in large measure, given place to the tractor, the motor truck, the harvester-combine and other large-scale farm machinery. Following an initial period of rapid mechanization from 1921 to 1931 the trend was slowed down by drought and depression in the nineteen-thirties and by wartime shortages in the early nineteen-forties. Normal annual replacements alone are large and only part of the backlog of demand had been made up prior to the census of 1946 so that between 1946 and 1948 the wholesale value of sales of new equipment more than doubled while in the same period the Saskatchewan market absorbed more than one-third of all repair parts sold in Canada. (11) The importation of this equipment and the large tonnage of repair parts from eastern Canada and the United States had in itself furnished an increasing volume of traffic for the railways. I might pause for a moment with respect to that Table to indicate that between 1936 and 1946, although the number of farmers in Saskatchewan declined by some seventeen thousand, the number of farm tractors increased by some thirty thousand and in the same period the number of motor trucks when up from approximately



ten thousand to almost twenty-eight thousand. Similarly, or rather more pronounced in the case of combines, the combine was just getting established when the depression and low prices and drought of the thirties set in with the result that it was pretty well arrested until the beginning of the nineteen forties so that the figure for 1946 is almost getting on for four times that of 1936.

Q: And this notwithstanding the fact, as you say, that there was a reduction of 17,000 in the number of farmers?

A: Yes.

(See Table VII, Page 20, of Exhibit 128)

The mechanization of prairie agriculture has resulted in a substantial change in the character and volume of western rail traffic. The Outline of Representations submitted by this province makes reference to this fact in the following words:

"The specialization of the Saskatchewan economy which creates large surpluses of agricultural products creates a corresponding inadequacy of the capital equipment and consumers' goods required in the province. These goods must be secured from distant producing centres and imported into the province, again with inescapable reliance upon railway or pipe line transportation services. The capital equipment required by the prairie wheat economy is bulky and cumbersome. Freight rates represent at best a heavy addition to its factory cost and a significant element in the farmer's costs of production."

(See Table VIII, Page 20, of Exhibit 128.)

Mechanization has also involved a spectacular increase in the consumption of petroleum products of all kinds. Crude oil for processing together with a large volume of the refined





products required for the operation of mechanized equipment move by rail. The rail movement of crude petroleum into Saskatchewan for the last 17 years (complete data are not available prior to 1932) is shown in Table VIII together with the loadings and unloadings of gasoline and petroleum oils and other petroleum products. The latter figures indicate that a substantial rail movement is involved in the distribution of gasoline and other petroleum products within the province.

The importance of the trend towards greater mechanization on farms is strikingly reflected in statistics on the consumption of non-taxable petroleum fuels in Saskatchewan, (Table IX). Saskatchewan Taxation Branch officials estimate that of the total non-taxable petroleum fuels approximately 80 per cent is used for agricultural purposes and the remaining 20 per cent by the small group of other non-taxable users. While undoubtedly some of the increased consumption during the war years was due to increased demands of the Department of National Defence it should be noted that, after a slight post-war dip, the trend has been very sharply upward.

Q: Then Table IX comes in showing in figures the consumption of non-taxable petroleum fuels in the province?

A: Yes, and the 1948 figure reflects an increase of about twelve times over the 1932 to 1934 figures and there is a pretty steady march upwards.

Q: Again keeping in mind since 1936 the reduction in the actual number of farms?

A: Yes. I might mention that in respect of the 1948 figure that while oil or fuel oil for domestic or industrial purposes is also exempt it was not until the latter part of 1948 that the discoveries in Alberta made



it possible to convert to oil in most cases. You almost had to know and know intimately a Vice-President of Imperial Oil to be able to get an oil contract for domestic heating.

MR. CARSON: Or the British American.

A: Yes, I beg your pardon.

TABLE IX

CONSUMPTION OF NON-TAXABLE PETROLEUM FUELS  
IN SASKATCHEWAN, 1932 TO 1948.

|            | <u>Gallons</u> |
|------------|----------------|
| 1932 ..... | 10,393,525     |
| 1933 ..... | 8,155,449      |
| 1934 ..... | 11,803,825     |
| 1935 ..... | 14,179,721     |
| 1936 ..... | 16,140,633     |
| 1937 ..... | 18,704,278     |
| 1938 ..... | 38,614,900     |
| 1939.....  | 48,302,415     |
| 1940 ..... | 53,134,632     |
| 1941 ..... | 63,775,021     |
| 1942 ..... | 79,376,237     |
| 1943 ..... | 89,599,373     |
| 1944 ..... | 97,508,822     |
| 1945 ..... | 87,087,704     |
| 1946 ..... | 100,867,707    |
| 1947 ..... | 116,627,968    |
| 1948 ..... | 126,064,092    |

SOURCE: Taxation Branch, Treasury Department, Province of Saskatchewan.

Specialization in wheat, originally conceived as the only logical and economic means to promote rapid settlement and balance the Canadian economy as an integrated whole, has proved to be fundamentally sound



for the prairie plains. However, the production of a staple food for sale on the markets of the world in competition with producers in other countries results inevitably in the western farmer accepting world prices, over which he has no control. Price setting by governments, with the greatest degree of co-operation at international levels cannot overcome the fact that, in the final analysis, the western wheat grower, remote from world markets, must accept the world price less the cost of transportation and handling. The hazard involved in violent price fluctuations is illustrated in Table X, which gives the average annual prices received by Saskatchewan farmers for wheat from 1911 to 1948 inclusive.

Q: Now, the source of Table IV is the Dominion Bureau of Statistics?

A: Yes. I meant to add in connection with that also that this is the average of the price received less freight. It includes or rather the fuel price at Fort William would, of course, be higher than this by approximately 20¢ which is made up, not alone of freight, but of inspection, elevator services, commissions, and that sort of thing.

THE CHAIRMAN: Do you define anywhere what you mean by the world price?

A: No, not in precise terms. We are thinking less of a specific price expressed in dollars than the fact that our wheat enters into competition in all of the various markets of the world, particularly Great Britain, Ireland, and various other countries with the wheat of Australia and the Argentine and the United States.

Q: The point I have in mind is that those countries' wheat also has to travel long distances?



A: Yes. In every case with the exception of the Americans they are rather more fortunately situated in being closer to the seaboard which helps their competitive position very considerably.

(See Table X, "Estimated Average Prices of Wheat To Farmers in Saskatchewan, 1911 to 1948.", at Page 22 of Exhibit 128.)

MR. MacPHERSON: In any event, the figures here are the figures which the Dominion Bureau of Statistics indicated were received by the farmer less freight?

A: Yes.

Q: Now, have you any comment to make, I mean particularly on the column on the rate for the years 1936 and 37?

A: Yes, I might say that if you take the ten year averages or ten year average for the thirties and the ten year average for the forties writing in, since we would be entitled to do so, \$1.55 for this year's crop since that is what the farmer is getting for 1949, the average there would be just about .60¢ - 59.7 if my mathematics are correct (which they seldom are) for the average of the thirties as against \$1.20 for the 1940's.

I might mention though that that sort of average is pretty dangerous since in the thirties the only two years in which wheat was a decent price were 1936 and 1937. 1936 was the most disastrous crop failure in the history of Western Canada with the result that there was available less than 20 million bushels of wheat for export out of the province. 1937 was the second worst year with the average received by farmers during that period probably well under .50¢. On the other hand, I might point out with respect to the 1940 averages, the exact reverse operates there. The 1940 to 1942 crops





were the second and third largest crops in the history of the province. They were record crops, but the first sold at an average of .58¢ and the second at an average of .77¢. The crops that have sold for \$1.55 or over a dollar have been very much more moderate crops.

THE CHAIRMAN: Before you go away from that, you lay down a proposition there that the western wheat grower on account of his remoteness from the world market must accept world prices less the cost of transportation and handling. Now, taking Great Britain as a world market do you meet any place in your brief the argument of the British miller that he is paying the transportation costs. He does say that?

A: Yes, he does say that. I am afraid we do not agree with him. We can't see anything in the situation. If he pays it he certainly would pass it on to the consumer, of course.

Q: Regarding the soundness of your submission that the western wheat grower takes the world price less transportation, you have that fact that the British miller says "No, I take it from Canada and the Argentine and therefore I have to put that into my flour." ?

A: Yes.

Q: Is there any possible way to work out who really pays that transportation? You see, in so far as prices in western Canada are concerned, the farmer in Regina gets the price less freight rates?

A: Yes.

Q: And the farmer from farther West gets a little less because his freight rates are higher?

A: Yes.

Q: Therefore, the problem seems to extend itself to whom you get into world markets and I would like to have



someone give me some information on the contention between the miller in Europe who says "No, I am paying for this transportation", and the producer in Argentine or Western Canada who says "No, I am paying for it". Has anyone ever attempted to weigh both arguments and analyze the facts behind them?

A: I am not conscious that they have. I suppose there is a tendency for us in Canada to rely on the fact that this is one of the few markets left in the world where competition does operate pretty strikingly at times and that all of these wheat-producing countries come to offer virtually the same price for their wheat even though the cost of transportation might be strikingly different as between one country and another.

COMMISSIONER INNIS: You mean that under competitive conditions the producer would have to pay the price?

A: Yes, under strictly competitive conditions the producer would tend to pay the price. I think perhaps a more reasonable statement would be to include the word "tend" - that the producer tends to pay that.

In view of the speed at which the prairies were settled in response to the national urge, it is scarcely surprising that grave mistakes in land use were made. The Report of the Royal Commission on Dominion-Provincial Relations has told the story in a few words:

"The occupation of the Prairie lands proceeded with little discrimination. There were no classifications of resources, no soil surveys, no climatic records to guide either the government or the unwary settler. The policies and methods of the Dominion were mainly designed to serve the national purpose of filling the Northwest



at once with as many people as possible. The selection of land was left largely to chance and to the devices which colonization agents, railways and land companies employed in their own immediate interests. The sectional survey, the railway land grant scheme, and pre-emptions illustrate a system designed for indiscriminate mass colonization and it worked with almost mechanical perfection. Adjustment to the vagaries and failings of nature was left to time and bitter experience." (12)

Throughout succeeding years weaknesses in the agricultural economy have been revealed in recurring periods of drought and depression and over the past twenty years in particular the emphasis has shifted from problems of expansion to problems of conservation, consolidation, and more effective land use.

(12) Op. cit. pp. 67-68.

(Page 9880 follows)





Approximate average yields of wheat by municipalities have been compiled by the Supervisor of Agricultural Statistics, Saskatchewan Department of Agriculture for each year from 1918 to 1948 inclusive. Figure I shows the 31 year average for each municipality for which records are sufficiently complete. The variations in yield in different parts of the province are clearly shown on this map.

As a result of crop failures and low yields governmental assistance measures became necessary, in certain areas, early in the history of settlement. These measures, which took many forms such as the provision of seed grain, feed and fodder, food and clothing, and fuel had cost quite substantial sums even prior to the period of prolonged drought and chronic depression through the nineteen-thirties. Table XI, an historical statement of such assistance, has been compiled from the records of Provincial government departments. The figures include such sums as are on record regardless of the source of the funds. Figure II shows the regional distribution of this assistance.

(TABLE XI - SEE PAGE 24 OF EXHIBIT 128)

I think perhaps I would like to add with respect to Table XI, that it is impossible to segregate the proportions of total relief contributed by the Federal, provincial and municipal governments. I might mention, however, that the substantial amounts, or amounts of advances made in 1907 and 1908 and again in 1914 and 1915, were made up largely of Dominion seed grain advances. In the 'twenties practically all of the relief came from either the municipalities or the province. Over the 'thirties the relief situation became, as the

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\* FIGURE I - 31-Year Average Wheat Yields Per Acre  
See Page 23 of Exhibit 128.



figures indicate, extremely difficult and extremely complicated, each of the three governments putting up substantial amounts. The Dominion, of course, put up the greater part, but I think in that connection it might be well to mention that the province is still making substantial repayments yearly to the Federal Treasury both on its own account and in remitting collections made by rural municipalities for agricultural aid.

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The persistence of these problems resulting in part from unwise settlement policies, in part from the climatic cycles of the semi-arid plains, and reaching at times the proportions of a national disaster, necessitated action on a Dominion scale to help correct the mistakes which the rapid settlement had left in its wake and to alleviate as far as possible the hazards of nature. As a result Parliament passed the Prairie Farm Rehabilitation Act, 1935, (commonly known as the P.F.R.A.), to "provide for the rehabilitation of drought and soil drifting areas in the Provinces of Manitoba, Saskatchewan and Alberta." 13

Soil surveys, not available when settlement was first undertaken, have now revealed fairly clearly the distinctions between land suitable, marginal and sub-marginal for wheat production and together with the development of scientific cultural practices and practical experience are forming the basis for the Dominion rehabilitation programme aimed at the economic use of land resources. This means the strengthening of the wheat economy by diverting to other

13 Statutes of Canada, 1935, 25-26 Geo V. c. 23

\* FIGURE II - Relief Advances. See Page 25 of Exhibit 128.



productive efforts soils unsuited to wheat production under average conditions. Thus basis settlement mistakes are slowly being corrected. Some striking results have already been achieved, but, being a long range programme, continuing efforts are required to realize the objectives of this remedial legislation.

Cereal production on the prairie plains will always face such hazards as drought, hail, frost and insect pests. One of the chief hazards which early settlers faced was the short growing season with the resultant loss of crop through frost. The development of Marquis wheat substantially overcame this difficulty, only to have a new one arise in the form of rust. The development of rust resistant varieties has apparently almost eliminated this hazard and brought much greater productive stability to Manitoba and eastern Saskatchewan wheat lands, - the areas that were most seriously affected by rust. The depredations of grasshoppers and other pests have also played a significant part in reducing crop yields in many years, in spite of difficult and costly control campaigns. The greatest natural hazard to the prairie wheat economy is, however, the low annual rainfall, bringing drought conditions to wide areas in many years. Indeed, an appraisal of the crop history of Saskatchewan by regions shows clearly that in almost every year substantial areas of the Province suffer from deficiency of moisture.

In the drought and depression period of the 1930's, the impact became so great and so persistent that the Parliament of Canada again took statutory





cognizance of the situation in the passage of the Prairie Farm Assistance Act <sup>14</sup> which became operative in 1939. This Act, designed to relieve the impact of crop loss, is again a reflection of the national importance of maintaining agriculture in adverse crop years. The legislation provided benefit payments on a sliding scale depending on yield to assist farmers suffering crop loss to carry on until the next year's crop. In support of the fund from which payments are made farmers annually contribute one per cent of the value of grain marketed.

The regional distribution of benefits under the Act are illustrated in Fig. III, showing the number of years benefits have been paid in each township. Only eight of the 303 rural municipalities in the Province have not been eligible to receive crop failure payments in any year since 1939. Over the ten-year period that the federal scheme has now been in operation total benefits paid out to Saskatchewan farmers as a result of crop failures amount to about \$80 millions.

MR. MACPHERSON: Now, that Figure III is a bit blurred.

A. Yes.

Q. We have here the original if the Commission wishes it, although if it is any use to the Commission we can file the original, the figure set out in the book being a bit blurred.

A. Yes, it had to be reduced so much in printing.

<sup>14</sup> Statutes of Canada 1939, 3 Geo. VI, C.50





MR. MACPHERSON: If it is of any use we can file it.

THE CHAIRMAN: Yes, I wish you would. Will you give that a number?

MR. COVERT: That will be Exhibit 129.

EXHIBIT 129: Original of Fig. III in Saskatchewan Brief.

THE WITNESS: In spite of all the hazards, however, the capacity of this Province to produce high quality wheats in volume has dictated and will continue to dictate a wheat economy and nothing in the foreseeable future is likely to change this in any significant degree. With its great volume of specialized production and limited population, Saskatchewan is completely dependent upon outside markets for the disposal of her large wheat crops. The ability to reach those markets as cheaply as possible is vital to the economic health of the whole country.

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The settlement of the West in the national interest as a wheat economy, the maintenance of that economy in the national interest in periods of stress, and the unceasing watchfulness of the Dominion to ensure the position of Canada's wheat in the markets of the world all attest to the fundamental importance of wheat to Canada as a whole as well as to the life of Saskatchewan and the other Prairie Provinces. It is probably true that no trade problem has given greater or more continuing concern to the Canadian people and their representatives than the placing of Canadian wheat on the markets of the world.

\* FIGURE III - Three Prairie Provinces.  
See Page 27 of Exhibit 128.



It seems clear that the wheat economy is vital to the welfare of Canada and that that economy must be maintained and strengthened by removing to the greatest degree possible the hazards, natural and economic, which it has faced over a long period of years and which from time to time still arise to threaten its continued existence.

Other agricultural activities will be appraised in sections following but, by every criterion which may be applied, wheat remains of paramount importance. Its importance to the Province of Saskatchewan, faced with all the inherent hazards of dependence on a one crop economy, as well as its importance to Canada both domestically and internationally, demand that the national transportation policy give full recognition to the part which wheat must continue to play in Canadian affairs.

MR. MACPHERSON: Now, your lordship, the next section dealing with the livestock industry, we propose to ask to be taken into the record as it is in the brief.



#### 4. The Livestock Industry

Development of the livestock industry in Saskatchewan over the past 40 years has been beset with many difficulties and marked by many reverses but, as Table XII indicates, its significance in the national economy shows a fairly steady growth. There was a slow but steady increase in the number of milch cows in Saskatchewan until 1936, after which severe drought forced heavy liquidation. The increase in the numbers of cattle other than milch cows was checked by the price collapse in the early nineteen-twenties and again, following a slow and painful recovery, by feed shortages following 1936, although recovering markedly under the stimulus of war prices after 1941 to reach a peak in 1947.

Hog production has been particularly sensitive to changing price relationships, and fluctuations in numbers have actually been much more marked from year to year than are revealed in the Table. For instance the number of hogs on farms in Saskatchewan rose to upwards of 1,750,000 in 1943 in the middle of the last prairie intercensal period. Sheep, while far less important than either cattle or hogs tend to show the same general trends as cattle.

While areas of greater concentration of production of various classes of livestock are discernible, the production of livestock tends to be scattered over the entire settled area of the Province.

The milch cow population of the Province is largest in the park areas of eastern and northern Saskatchewan. Except for specialized dairy herds, serving the larger centres of Regina and Saskatoon, most "milch" cows in the province are dual purpose types, that is they may be used for milk production or beef.





Beef cattle are largely produced on the range lands of south-western Saskatchewan and in the park areas of the eastern and northern parts of the province. The cattle population is relatively light in the prairie area where wheat production predominates. Scarcity of water and hazards of feed production make a long term cattle production programme in those areas an uneconomic proposition for most farmers.

---(See Table XII - "Livestock Population of Canada and of Saskatchewan, 1906-1948," as filed in Exhibit 128 )

Hog production tends to be concentrated in the eastern, north-eastern and northern areas with substantial wartime production in recent years in central Saskatchewan. Under certain price relationships hog production may take place in conjunction with grain growing. Hog production in such areas tends to fluctuate greatly, however, since the nature of the hog production cycle enables farmers to make rapid adjustments in response to price and market relationships.

Sheep and lambs are found largely in south-western, east-central and north-western Saskatchewan.

The regional distribution of livestock in Saskatchewan is indicative of the long-run influence of natural factors on the agricultural economy, while national and international policies and the trend of livestock prices and their relation to grain determine shorter-run production trends.

Table XIII, showing commercial marketings of livestock originating in Saskatchewan compared with Canada as a whole, reflects the importance of Saskatchewan in terms of Canada's meat supply both for domestic consumption and for export. Peak marketings of Saskatchewan



hogs were reached in 1944, the decline since that time being most marked. Cattle marketings reached their peak in 1945, followed by a sharp decline in 1947 with a substantial recovery in 1948, although the drop in cattle on farms in the latter year (Table XII) reflects some liquidation of herds and a probable decline in marketings in the immediate future.

Saskatchewan marketings of calves, sheep and lambs reflect somewhat the same general trend as cattle marketings. The Province marketed 6,849 calves or 2.5 per cent in 1921, 13.4 per cent in 1945, and, after declines in 1946 and 1947, 108,290 or 12.9 per cent of the Dominion total in 1948. For sheep and lambs the percentage rose from 4.1 per cent in 1921 to 161,175 or 12.9 per cent in 1945, declining to 78,117 or 9.8 per cent of the Dominion total in 1948.

Livestock production in Saskatchewan involves, from the standpoint of rail transportation, four types of livestock movements, (1) from farm or ranch to eastern markets or for export, (2) from farm or ranch to western packing houses, (3) from western packers to consumers in western and eastern Canada and for export, (4) feeder stock to feed lots. The significance of transportation costs to the livestock economy is thus clearly indicated and must be considered, it is submitted, from the standpoint of the long run welfare of an important industry in the economy of Canada.

---(See Table XIII - "Commercial Livestock Marketings in Canada and Saskatchewan, 1921-1948", as filed in Exhibit 128 )

A broad appraisal of the position of the cattle producer in the Prairie Provinces offers striking examples of the varied problems, both economic and geographic,



which influence many sections of the agricultural economy.

The livestock industry in western Canada even under normal conditions is faced with competitive disadvantages and market uncertainties. As has been pointed out by the Saskatchewan Stock Growers' Association,<sup>15</sup> range cattle production is carried on in areas distant from available markets. Consequently, transportation costs are of particular significance in the Saskatchewan livestock industry.

Livestock and livestock products, unlike most industrial products, cannot be withheld from the market during periods of low prices and producers frequently are forced to sell at a loss. In the drought years of the nineteen-thirties the feed situation became so acute in Saskatchewan that stock growers were forced to liquidate a large proportion of the herds which they had built up with great effort over a long period of years. This represented actual capital disinvestment, the extent of which is clearly evident from the greatly reduced marketings immediately following 1937.

The ranching areas and bush lands of the Prairie Provinces offer many natural advantages to the raising of large numbers of high quality stock. The limits of production are being slowly but steadily expanded by the conservation and developmental policies of Provincial and Federal Governments. Provincial activities are in the main directed to measures to encourage the building of feed reserves and to improve the quality of live stock. Under the Federal Government's Prairie Farm

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<sup>15</sup> See Brief to the Royal Commission on Transportation Submitted by the Saskatchewan Stock Growers' Association (Swift Current, June, 1949, mimeo.).





Rehabilitation Act, community pastures have been established by reseeding inferior wheat lands to grass, thereby removing areas from uneconomic grain production and facilitating their use for stock raising. Many farmers and ranchers have also taken advantage of the provisions of the P. F. R. A. programme to develop small stock-watering dams to conserve spring run-off and store water. Evidence presented to the Commission by the Canadian Co-operative Processors Ltd. (formerly the Horse Co-operative Marketing Association) indicated the direct contribution to conservation of grazing resources made by their own industry. It was estimated that in one winter surplus horses in the three provinces consumed 500,000 tons of feed.<sup>16</sup>

The cumulative effects of these programmes and policies instituted in the interests of the national as well as the prairie economy are becoming apparent and, with the reduction as far as possible of physical and climatic hazards, the cattle industry can look forward to a greater measure of productive stability than it has experienced in the past.

The potentialities of prairie livestock production were demonstrated in the West during the war years when all previous records were beaten. Some reductions from the high levels were to be expected. Cyclical variations are inherent in livestock trends. Price fluctuations create uncertainties and, as indicated, the relationship of grain and feed prices influences production plans. To the extent that economic factors are favourable to livestock production, the broadening of the base of the agricultural economy is desirable.

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<sup>16</sup> See Memorandum of Canadian Co-operative Processors Limited, Swift Current, Saskatchewan (Swift Current, June, 1949, mimeo.).





The importance of the Prairie Provinces in the livestock and meat producing industry of Canada has already been indicated and the significance of livestock and livestock products in Canada's trade in world markets is widely recognized.

---(See Table XIV - "Exports of Cattle, Calves and Beef from Canada, 1913 to 1948", as filed in Exhibit 128)

It is perhaps necessary to emphasize that the geographical disadvantages of Saskatchewan's ranching areas would, in the past, have been materially reduced had trade in livestock been allowed to flow freely along natural channels. Transportation disabilities are not the necessary consequence of a mid-continental position. The natural export market for western livestock is the United States, and if barriers to north-south trade had not been imposed and traffic directed east and west, a much greater volume of Canadian cattle would undoubtedly have moved freely into this market. The extent to which Canadian cattle exports have been influenced by national policy, trade agreements, tariffs and embargoes may be seen from Table XIV.

Prices for cattle on the Canadian market have tended to be stronger during periods of high exports to the United States while restrictions on exports in periods of rising prices have been reflected in wide spreads between Canadian and United States market prices. The manner in which from time to time agriculture is used as an instrument of national policy is illustrated by the six-year period from September, 1942, to August 16, 1948, during which period there was an embargo on the export of commercial beef cattle and calves from Canada to the United States. Exports of purebred cattle



and cattle for dairy purposes were, however, unrestricted and fairly large numbers moved across the border. It is significant, however, to note that the Dominion Department of Agriculture reported that "Ontario, Quebec and the Maritimes provided the majority of dairy cattle for export."<sup>17</sup> Cattle growers of western Canada were thus effectively barred from their natural market for six years. The purpose of imposing this major restrictive measure on the cattle producers of Canada, the impact of which fell largely on the western stock growers, was two-fold. First, it preserved meat supplies for Canadians and for shipment to Great Britain and the Armed Forces. Secondly, it was a vital element in the maintenance of the price control policy in so far as meat price ceilings were concerned and represented the Canadian stock growers' contribution to the success of this national policy. The impact of government policy on the producer in terms of lower returns than he would otherwise have received is sharply emphasized by the comparison of prices ruling on the Winnipeg, Toronto and Chicago markets (Table XV).

TABLE XV

Average Prices of Good Steers at Winnipeg, Toronto and Chicago, 1941 to 1948.

| Year | Winnipeg          | Toronto           | Chicago            |
|------|-------------------|-------------------|--------------------|
|      | Steers over 1,050 | Steers over 1,050 | Steers 1,200-1,500 |
|      | lb.<br>per cwt.   | lb.<br>per cwt.   | lb.<br>per cwt.    |
| 1941 | \$ 8.21           | \$ 8.90           | \$ 11.35           |
| 1942 | 9.54              | 10.39             | 14.10              |
| 1943 | 11.09             | 11.99             | 15.85              |
| 1944 | 11.13             | 11.99             | 16.60              |

<sup>17</sup> Annual Market Review, 1947 (Ottawa, Dominion Department of Agriculture, 1948) p. 4.



TABLE XV (cont'd)

| Year | Winnipeg<br>Steers over 1,050<br>lb.<br>per cwt. | Toronto<br>Steers over 1,050<br>lb.<br>per cwt. | Chicago<br>Steers 1,200-1,500<br>lb.<br>per cwt. |
|------|--------------------------------------------------|-------------------------------------------------|--------------------------------------------------|
| 1945 | \$ 11.40                                         | \$ 12.20                                        | \$16.90                                          |
| 1946 | 12.05                                            | 13.05                                           | 21.30                                            |
| 1947 | 13.44                                            | 14.63                                           | 28.95                                            |
| 1948 | 18.29                                            | 19.40                                           | 32.85                                            |

Source: Annual Market Review (Dominion Department of Agriculture, Ottawa).

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---(See Table XVI - "Exports of Hogs, Bacon and Hams, and Pork from Canada, 1913 to 1948", as filed in Exhibit 128)

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The average spread between Winnipeg and Chicago in 1941 before the ban on Canadian beef cattle exports to the United States, was \$3.14 per cwt. For 1942, although the export ban did not go into effect until September, the average spread for the year increased to \$4.56. For 1943 the spread between Winnipeg and Chicago prices widened to \$4.76; for 1944, to \$5.47; for 1945, to \$5.50; for 1946, to \$9.25; for 1947, to \$15.51. The cattle embargo was removed from August 16, 1948 and access to United States markets resulted in strengthening of Canadian cattle prices. The spread between Winnipeg and Chicago monthly average prices which had varied from \$12.74 to \$19.18 in the first seven months of 1948 varied from \$3.60 to \$6.25 in the corresponding months of 1949.

With respect to the export market for meat, as a result of the ban on beef cattle exports to the United States Canadian beef moved to Great Britain in substantial quantities during the war. Since the war, however, this market has declined. Normally Canadian beef meets heavy







competition on the British market and in the post-war period the dollar shortage has, of course, accentuated the difficulties faced by Great Britain in continuing purchases from Canada.

The export of live hogs has shown extremely wide fluctuations, as will be seen from Table XVI, but the export trade in bacon and hams has been an important one both from the standpoint of the hog producer and of the national economy. During the war years Canada supplied a large volume of bacon to the British market and it is highly desirable in the national interest that every effort be made to retain this market in peacetime to as great a degree as possible. There has, however, been a sharp drop in exports from nearly 700 million pounds of bacon and hams in 1944 to 200 million pounds in 1948. In periods of marketing difficulties, such as are now facing all lines of agricultural production, transportation costs, which as a result of distance are much higher than competitors' closer to seaboard, bear with particular severity on the prairie livestock economy and make it more difficult to meet competition in overseas markets at prices which will provide a reasonable return to the producer.

The Brief presented by Saskatchewan Co-operative Producers Limited (commonly known as the Wheat Pool) at the Regina Hearings of the Commission <sup>18</sup> pointed out that the significance of transportation charges on livestock could best be appraised when related to the value of the product. Table XVII indicates the prices of cattle of different grades at Winnipeg, the market value of a

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<sup>18</sup> See Submission of Saskatchewan Co-operative Producers Limited to the Royal Commission on Transportation (Regina, June, 1949, mimeo.).



1,075 lb. animal and the percentage of that value paid in freight charges, using the Greenstreet, Saskatchewan, to St. Boniface, Manitoba, movement as an example. In this table the actual rates obtaining before the 21 per cent increase have been used in arriving at the percentage figures for the years up to and including 1947, and the increased rate for the year 1948.

This table shows clearly the impact of rigid transportation costs on a highly fluctuating cattle price structure. In periods of low prices freight charges constitute a high proportion of the value of the animals transported, particularly of lower grade animals. In this connection it should be noted that the proportion of so-called "good" steers to the total number of cattle sold tends to decline during years of poor crops when insufficient feed for proper finishing is available. At all times large numbers of medium steers and "medium" cows are marketed taking, of course, the same freight charges per hundred weight as "good" steers but with a much larger percentage of the value of the animal absorbed in freight charges and a very much smaller net return to the producer. Thus, the proportion of the value of a "good" steer at Winnipeg paid in freight ranged from 13.1 per cent in 1933 to 3.2 per cent in 1948 while on "medium" cows it varied from 30.4 per cent in 1933 to 4.4 per cent in 1948.

---(See Table XVII - "Cattle Prices at Winnipeg and Relationships of Freight Charges to the Value of Cattle, 1930 to 1948", as filed in Exhibit 128 )

Should there be a return to prices comparable to those ruling in the 1930's the proportion of the value represented by freight would be greater than shown above for these years unless the 21 per cent award were



reduced or removed, or a more favourable general level of prairie freight rates replaced the present structure.

Efforts to estimate a total freight bill arising from the movement of the products of any one industry from a given area present formidable difficulties. However, the Wheat Pool placed in evidence certain figures which indicated that freight on primary shipments alone of cattle, calves, hogs, sheep and lambs to stockyards and packing plants at the 1948 level of marketings would approximate \$1,677,000 exclusive of all the various related charges such as stop-offs, diversions, cleaning, sanding, partitions, and certain non-railway charges for loading and unloading and feed and water enroute.

The Pool Brief then goes on to state:

"It must be stressed, however, that the direct freight charges referred to above represent only a minor part of the total shipping costs which must be paid by the producer in the marketing of his livestock. Up to the present we have considered freight on livestock going to the abattoir only. We have not touched upon the cost of shipping processed meat and other products from the abattoir to the consumer -- a cost which must also be borne by the primary producer."<sup>19</sup>

In view of the fact that the large domestic centres of consumption are located in eastern Canada and processed meats generally move eastward for export, long and expensive rail hauls are involved on the bulk of our finished products.

The contention that the producer must bear the burden of freight charges on both primary livestock movements and on the movement of the finished product to markets is strongly supported by evidence of

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<sup>19</sup> Ibid., pp. 20-1.





Intercontinental Packers given at Regina before the Board of Transport Commissioners in the 30 per cent case, <sup>20</sup>

" . . . freight costs in relation to livestock slaughtered may vary in different plants throughout the Province, due to the type of business each individual plant might do. A large percentage of our business in the period mentioned (1946) was export to England on which we pay freight to seaboard. If any substantial part of this product were to be marketed in the domestic market in Eastern Canada, the freight cost would be increased, due to the fact that the domestic rate is somewhat higher than the through export rate. It is only natural that an enterprise engaged largely in domestic business in the locality close to its plant would have a lower freight cost, due to the avoidance of long hauls. However, livestock production in Saskatchewan, in comparison to its population, is such that a comparatively large volume must either be exported to other countries or other parts of Canada. The handling costs govern the net return of the product, which in turn, governs the amount which can be paid for the livestock."

Western livestock areas are less favourably located in relation to the large domestic and European markets than either the Central or the Maritime Provinces. The competitive disadvantage of the western stock grower in comparison to his eastern competitor may be illustrated

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<sup>20</sup> See Brief presented by Intercontinental Packers Limited, Saskatoon, Sask. to the Board of Transport Commissioners (Saskatoon, 1947, mimeo.) pp. 2-3.





by a simple example. The freight rate (carloads) on livestock from Maple Creek, in south-western Saskatchewan to Toronto is \$1.36 per hundred pounds (supp. 10 to C.F.A. No. 116-A, C.T.C. No. 448). The freight rate (carloads) from Ailsa Craig, an important shipping point in western Ontario to Toronto is 24¢ (C.N.R. No. C.L.30, C.T.C. No. E. 1438). Selling into the same market the western producer is at freight disadvantage of \$1.12 per one hundred pounds plus extra charges for feed and water enroute and losses due to shrinkage on the long haul from the prairies.

The average price of a "good" steer on the Toronto market in 1948 was \$19.40 per cwt. The Ailsa Craig farmer would realize \$19.16 after freight charges were paid whereas the Maple Creek rancher would receive \$18.04. The Ailsa Craig farmer's freight cost represented 1.24 per cent of the gross price whereas the freight cost from Maple Creek was 7.01 per cent.

A comparison based on somewhat lower livestock prices may now be in order. In 1933 "good and choice" steers averaged \$4.63 at Toronto. The Ailsa Craig freight rate was 20¢ (C.N.R. No. C.L.30, C.T.C. No. E.1438) and the Maple Creek rate \$1.12½ (C.F.A. No. 116-A, C.T.C. No. 448). Thus, the Ailsa Craig farmer realized \$4.43 per hundred pounds and freight represented 4.32 per cent of the gross. The Maple Creek rancher on the other hand would receive only \$3.50½ with freight representing 24.3 per cent of the Toronto price. These comparisons are based on a superior grade of livestock. The enormous impact of fixed transportation charges on the western livestock economy during periods of low or even moderate prices and their effect on the competitive position of the western producer is thus brought sharply into focus. The inequity of applying the principle of horizontal increases to such a structure will also be immediately apparent.



This point will be developed at a later stage in this Brief.

The significantly high proportion of cattle and hogs moving to market by rail in Saskatchewan compared with any of the other important livestock producing provinces is worthy of note. Thus in the heavy movement of cattle to stockyards Saskatchewan sends a greater number by rail than any other province while less than thirty per cent move by truck -- by far the lowest proportion of any important producing province. The movement of cattle direct to packing plants is much less important in terms of total volume but again Saskatchewan's proportion moving by truck is lower than any of the large producing provinces. The movement of hogs to stockyards in Saskatchewan is unimportant in terms of volume. The figures show that by far the greater number of hogs are marketed at packing plants and that on this movement Saskatchewan ships both the smallest volume and the smallest proportion (25 per cent) by truck of any important hog producing province in Canada.

Prior to the 1948 increase, freight rates on livestock were the same as existed in 1918 since an increase granted in 1920 was voluntarily removed by the railways -- presumably as a recognition of the difficulties with which stock growers were faced and of the fact that continuation of higher rates would have been more than the industry could bear. The principle of maintaining the lowest possible freight rate on livestock is vital to the preservation of this industry, influenced as it is by considerations of national and international economic policy and separated, in part geographically and in part artificially, from its great natural markets.

As previously indicated many major marketing problems are presenting themselves in all fields of



agricultural production. While productive capacity may be stabilized in some measure by agricultural techniques, marketing problems have been -- and will probably continue to be -- particularly resistant to permanent solutions.

It is only necessary to review the fluctuations in trade policies to be impressed by this lack of permanence (Table XIV). The harsh facts suggest that there has never been a steady market upon which the livestock producer could formulate any long-term plans. The high level of cattle marketings in 1948 is itself a reflection of instability. Instead of indicating economic well-being in the industry, it reveals uncertainty in the minds of livestock producers concerning future markets and prices. There is a danger that basic stock may be liquidated in the effort to dispose of herds before anticipated price declines become pronounced.

Sufficient has been said to indicate some of the problems with which the cattle producer has had to contend. Chief among these have been widely fluctuating prices, long periods of low prices, rapidly changing market outlets, shifts in national and international economic policy -- with varying restrictions upon selling in the most favourable market, and, finally the persistent geographical disadvantages with respect to our domestic and European markets.

To the extent that diversification of agriculture is possible in Saskatchewan it must be brought about through livestock.<sup>21</sup> Efforts of ranchers, farmers, organized agriculture, private organizations, as well as Provincial and Federal Governments, have been directed towards improving the position of the livestock industry and encouraging its development, not only for the sake of those directly engaged in it, but also to broaden the base of the agricultural economy in the interests of the Province and of Canada as a whole. The national transportation policy should contribute to these aims.

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<sup>21</sup>See Submission of United Farmers of Canada (Saskatchewan Section) Limited to the Royal Commission of Inquiry on Transportation (Saskatoon, June, 1949, mimeo.).







MR. MACPHERSON: Dr. Brintnell is going to paraphrase the section on the livestock industry and shorten it down.

THE CHAIRMAN: How far does it extend?

A. From 31 to 46, I believe.

MR. MACPHERSON: To the bottom of 39 on the printed one, from 28 to the bottom of 39, your lordship.

THE CHAIRMAN: Yes, all right.

THE WITNESS: I might say, your lordship, that the paraphrase of this is somewhat longer than the paraphrase of the remaining sections, because we attach rather more significance to livestock than to the others. I have managed to reduce it from fifteen to four and a half pages.

#### LIVESTOCK (SUMMARY)

The relative significance of the Saskatchewan livestock industry in the national economy shows a fairly steady growth in spite of many difficulties such as feed shortages, widely fluctuating price levels and uncertain markets.

Table XII shows the trend of livestock population in Canada and Saskatchewan over the past forty years and the relative significance of Saskatchewan to total Dominion production over the same period.

Livestock are produced over wide areas in Saskatchewan with some tendency towards concentration in the park areas and, in the case of cattle, in the ranch lands of the south west. Under certain price relationships hogs may be produced in conjunction



with grain growing in the Prairie areas.

Marketing of cattle and hogs (as shown in Table XIII) rose to high levels in response to wartime demand but declined after the war, particularly in the case of hogs.

In the case of cattle, the average of our production over the last few years is about 25% of the Dominion total.

There was a substantial recovery in cattle marketings in 1948, although the drop in numbers on farms, that is those remaining on farms, indicates some liquidation of herds.

Much has been done, and efforts are continuing, to promote greater production stability in the Saskatchewan livestock industry and to minimize the effects of drought on feed supplies. The establishment of community pastures, construction of stock watering dams and the conservation of grazing resources by the removal of surplus horses have been directed to these ends.

Transportation enters into the prairie livestock economy at many points. There is (1) the movement from farm or ranch to eastern markets or for export; (2) from farm or ranch to western packing houses; (3) from western packing houses to consumers in western and eastern Canada and for export; (4) feeder stock to feed lots.

It is perhaps necessary to emphasize that the geographical disadvantage of Saskatchewan's ranching areas would, in the past, have been materially reduced had trade in livestock been allowed to flow freely along natural channels. Transportation disabilities are not the necessary consequence of a mid-continental



position. The natural export market for western livestock is the United States, and if barriers to north-south trade had not been imposed and traffic directed east and west, a much greater volume of Canadian cattle would undoubtedly have moved freely into this market. The extent to which Canadian cattle exports have been influenced by national policy, trade agreements, tariffs and embargoes may be seen from Table XIV.

The manner in which, from time to time, agriculture is used as an instrument of national policy may be illustrated by the period from September, 1942 to August 16, 1948, during which time there was an embargo on the export of commercial beef cattle and calves from Canada to the United States. The ban did not extend to purebred or dairy cattle, and fairly large numbers moved across the Border.

THE CHAIRMAN: Dr. Brintnell, can you tell me how your table XIII which gives the percentage of cattle marketing in Saskatchewan over the last few years, how that compares with Alberta?

A. I cannot remember offhand.

MR. MACPHERSON: We will try to get those figures for you, your lordship. I think we can get them.

THE CHAIRMAN: Not too much trouble. Go on then.

THE WITNESS: However, the dairy cattle exports originated largely in eastern rather than in western Canada. Thus the natural market for western beef cattle was effectively denied to western stock growers for six years.

The purposes of imposing this major restrictive measure on the cattle producer of Canada were, first to preserve meat supplies for Canadians and for shipments overseas and, second, to assist in maintaining the





Government price control policy insofar as meat price ceilings were concerned. The contribution which the western livestock industry made to these national objectives was a very substantial one indeed. Table XV shows the prices ruling on Canadian markets in comparison with the prices obtaining in the United States. It can be seen from the Table that the average spread between Winnipeg and Chicago in 1941 before the ban on Canadian beef cattle exports to the United States, was \$3.14 per cwt. For 1942, although the import ban did not go into effect until September the average spread for the year increased to \$4.56. For 1943 the spread widened to \$4.76; for 1944, to \$5.47; for 1945, to \$5.50; for 1946, to \$9.25; for 1947, to \$15.51 per cwt. The cattle embargo was removed on August 16, 1948, and access to United States markets resulted in the strengthening of Canadian cattle prices. The spread between Winnipeg and Chicago monthly average prices which had varied from \$12.74 to \$19.18 in the first seven months of 1948, varied from \$3.60 to \$6.25 in the corresponding months of 1949. That is the period after the ban had been removed.

THE CHAIRMAN: You have no figures showing the exports from Saskatchewan itself?

A. No, I doubt very much whether they are available. We have difficulty whenever stock moves to stock yards with such a big flow as to St. Boniface. They do not tend to be segregated very well, if I remember correctly.

As a result of the embargo on shipments of live cattle to the United States, beef moved to Great Britain in substantial quantities during the war.





This market has now declined as is shown in Table XIV. Likewise, bacon exports to Great Britain have declined very materially since the peak in 1944 (See Table XVI), and now seem to be in some danger next year of virtually disappearing.

In periods of marketing difficulties, such as are now threatening all lines of agricultural production, transportation costs bear with particular severity on the prairie livestock economy and make it more difficult to meet competition in overseas markets at prices which will provide a reasonable return to the producer.

Table XVII shows clearly the impact of rigid transportation costs on a highly fluctuating cattle price structure. In periods of low prices freight charges constitute a high proportion of the value of the animals transported. This is particularly so in the case of lower grade stock. In the example used in Table XVII the percentage of the value of a "good" steer paid in freight charges ranged from 3.2 per cent to 13.1 per cent and of a "medium" cow from 4.4 per cent <sup>to</sup> 30.4 per cent.

Considering only the primary movement of livestock to stockyards and packing plants, on the basis of 1948 marketings the Saskatchewan Wheat Pool estimated that the Saskatchewan freight charges on such livestock would amount to \$1,677,000 exclusive of related charges. The Wheat Pool Brief went on to state that this estimate did not include "the cost of shipping processed meat and other products from the abattoir to the consumer -- a cost which must also be borne by the primary producer." The contention



that growers' returns are reduced by the latter costs as well as by the freight on livestock is supported by the evidence placed before the Board of Transport Commissioners by the Intercontinental Packers Limited, Saskatoon, at Regina in June, 1947, during hearing on the 30% Case. This brief contended that

"The handling costs govern the net return of the product which, in turn, governs the amount which can be paid for the livestock."

Western livestock producing areas are less favourably located in relation to the large domestic and European markets than are those of either the Central <sup>the</sup> or Maritime Provinces. The disadvantage may be illustrated by comparing freight charges on cattle moving from Maple Creek, Saskatchewan, and from Ailsa Craig, Ontario, into the Toronto market. The freight rate from Maple Creek to Toronto after the 21% increase was \$1.36 per hundred weight as compared with .24¢ from Ailsa Craig to Toronto. With "good" steers averaging \$19.40 at Toronto in 1948 the net return to the Maple Creek rancher was \$18.04 and freight alone represented 7.01 per cent of the gross price, whereas the Ailsa Craig farmer received \$19.16 with freight representing only 1.24 per cent. In periods of low prices such as 1933 when "good and choice" steers averaged \$4.63 at Toronto, the percentage of the gross price absorbed in freight was 24.3% in the case of the long haul from Maple Creek, and 4.32 percent on the Ailsa Craig movement.

The effect of applying horizontal increases to such widely differing rates will be immediately apparent.

It should also be emphasized that the distant producer bears an added burden in terms of shrinkage and



various additional ancillary charges necessitated by the length of the haul involved.

The high proportion of cattle and hogs moving to markets by rail in Saskatchewan is worthy of note. I was assuming we would put that in, Mr. Counsel.

MR. MacPHERSON: Oh yes, I have a further exhibit here. I don't know if we can put it in as an exhibit. I think it might go into the record.

THE CHAIRMAN: Where would that be pertinent in the brief?

MR. MacPHERSON: It is not in the brief.

THE WITNESS: It illustrates the paragraph.

MR. COVERT: I was talking to the Assistant Secretary, Mr. Belcourt, and he suggests we put it in as an exhibit. It will be 130. --

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EXHIBIT NO. 130: Filed by Mr. MacPherson: Table showing proportion of cattle shipped by rail and truck in Saskatchewan.

THE CHAIRMAN: What does it show?

A: From this Exhibit it will be seen that in the heavy movement of cattle to stockyards, Saskatchewan sends a greater number by rail than any other province, while less than 30% move by truck - by far the lowest proportion of any important producing province. The movement of cattle direct to packing plants is much less important in terms of total volume, but again Saskatchewan's proportion moving by truck is lower than any of the large producing provinces. The movement of hogs to stockyards in Saskatchewan is unimportant in terms of volume. The





figures show that by far the greater number of hogs are marketed at packing plants and on this movement Saskatchewan ships both the smallest volume and the smallest proportion by truck of any important hog producing province in Canada.

Major marketing problems are presenting themselves in all fields of agricultural production. While productive capacity may be stabilized by agricultural techniques, marketing problems are particularly resistant to permanent solutions. The harsh facts suggest that there has never been a steady market on which the livestock producer could formulate long-term plans. Widely fluctuating prices, long periods of low prices, rapidly changing market outlets, shifts in national and international economic policy, and persistent geographical disadvantages with respect to domestic and European markets are foremost among the hazards faced by the western livestock producer. Finally, it should not be overlooked in assessing the importance of the western livestock economy, that to the extent that agricultural diversification is possible in Saskatchewan, it must be brought about through livestock as the chief means of broadening the base of the agricultural economy of the province. A national transportation policy can contribute to these aims.

Mr. MacPHERSON: Now, exhibit 130 as filed is meant to indicate the dependence of moving livestock on rail transportation in the Province of Saskatchewan?

A: Exactly.

Q: And shows a greater dependency in Saskatchewan than in any other province?

A: Yes.



### 5. The Dairy Industry

The dairy industry is an important one in the economy of Canada and one in which the Prairie Provinces and Saskatchewan in particular play a significant part. The industry in Saskatchewan fulfills special functions in the dairy economy of Canada and operates under conditions peculiar to this Province which give rise to special problems in which transportation is intimately involved. The Saskatchewan Dairy Association in its Brief expressed the belief, substantiated by factual data, "that of the former nine provinces in the Dominion of Canada, the Dairy Industry in Saskatchewan by reason of economic, geographic and other disadvantages has been the most adversely affected by transportation costs and related difficulties."<sup>22</sup>

As pointed out in the discussion of the livestock industry, milch cows in this Province are usually of the dual purpose type with specialized dairy herds on farms producing for fluid milk markets. Distribution of the milch cow population with the largest numbers in the park areas of eastern and northern Saskatchewan, is determined mainly by the physical features of the Province rather than proximity to consuming centres.

In the fluid milk trade of the larger urban centres, Saskatoon obtains its supply from areas surrounding the city and much of the milk is transported by truck, when weather permits, owing to the relatively short distances involved. Regina offers a contrast since much of the area surrounding that city is given over to wheat growing and most of the fluid milk supply reaches Regina

<sup>22</sup> See Submission of the Saskatchewan Dairy Association to the Royal Commission on Transportation (Regina, June, 1949, mimeo.) p.1.



by rail from areas east and north-east where the prairie plain gives way to the park belt. The average rail haul into Regina of fluid milk is approximately 40 to 50 miles.

As pointed out by the Saskatchewan Dairy Association in that Association's comprehensive Brief,<sup>23</sup> about 50 per cent of the milk production of the Province goes into the manufacture of creamery butter. The distribution of the milch cow population over wide areas is the major factor determining the form in which the greater part of Saskatchewan's milk production is utilized. Except for supplying the relatively small fluid milk markets of the cities, the long distances involved in scattered farms and small supplies of milk make it uneconomic to collect and ship whole milk. This militates against the development of cheese factories and condenseries, the operation of which requires steady deliveries of whole milk in large volume every day. There are only a few small local cheese factories which operate in the northern part of the Province. It may be mentioned, incidentally, that this restrictive factor necessitates Saskatchewan consumers importing, mainly from eastern Canada, their requirements of cheese and condensed milk even though this Province produces a large surplus of the raw product. Utilization of surplus milk production in Saskatchewan demands, however, a concentrated form of the product which can be economically transported from farm to plant at convenient intervals. Cream, for the manufacture of creamery butter has provided the economic solution.

This situation is in sharp contrast to conditions in eastern provinces where concentrated production of milk and readily accessible processing plants make possible

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<sup>23</sup> Ibid., p.3.





the shipping of the whole milk to cheese factories, condenseries and creameries, and plants frequently combining the functions of each.

Table XVIII shows the annual production of creamery butter in Canada and Saskatchewan, the number of creameries operating in this province, and the butter make per creamery.

Saskatchewan has been the third largest producer of creamery butter -- exceeded only by the provinces of Ontario and Quebec -- for almost a decade. Yet Ontario and Quebec, contributing well over 50 per cent of the Dominion total, remain, like British Columbia, deficiency areas and their production contributes comparatively little to rail movement. On the other hand high levels of production and relatively small populations have placed Saskatchewan and the other Prairie Provinces in the position of surplus producers accounting for a very large proportion of all butter shipped by rail in the Dominion.

---(See Table XVIII - "Creamery Butter Production Canada and Saskatchewan, Number of Creameries and Production per Creamery in Saskatchewan, 1921 to 1948", as filed in Exhibit 128)

Table XIX indicates that Saskatchewan's net exports of butter by rail for the period 1932 to 1947 represented a full two-thirds (67 per cent) of the annual creamery butter production of the Province without taking into consideration less-than-carload and truck shipments. Preliminary figures for 1948 show such net exports at 59 per cent of the total make. The comparable figure for Manitoba for 1932-47 was 43 per cent and for 1948, 36 per cent. For Alberta net exports by rail represented 57 per cent in the period 1932-47 and 48 per cent in 1948. Thus, in terms of volume and of proportion of the total make Saskatchewan holds the leading position insofar





as rail shipments out of the Province are concerned.

Of the total butter loaded at stations in Canada for the period 1932 to 1947<sup>24</sup> inclusive almost 31 per cent was loaded at stations in Saskatchewan. The comparable figure for 1948 was 34 per cent.

TABLE XIX

Creamery Butter: Make and Net Exports of Butter  
by Rail, Manitoba, Saskatchewan and Alberta,  
1932-1948

Manitoba

|                   | Creamery<br>Butter Make<br>Lb. | Net Exports<br>by Rail<br>Lb. |
|-------------------|--------------------------------|-------------------------------|
| 1932-47           | 415,562,274                    | 180,236,000                   |
| Annual<br>Average | 25,972,642                     | 11,264,750                    |
| 1948*             | 25,351,000                     | 9,054,000                     |

\*Preliminary.

Saskatchewan

|                   |             |             |
|-------------------|-------------|-------------|
| 1932-47           | 494,650,344 | 330,092,000 |
| Annual<br>Average | 30,915,646  | 20,630,750  |
| 1948*             | 34,116,000  | 19,964,000  |

\*Preliminary.

Alberta

|                   |             |             |
|-------------------|-------------|-------------|
| 1932-47           | 482,422,318 | 273,630,000 |
| Annual<br>Average | 30,151,395  | 17,101,875  |
| 1948*             | 32,414,000  | 15,626,000  |

\*Preliminary.

Sources: Compiled from Statistics of Dairy Factories;  
Statistical Supplement, Monthly Dairy Review  
and Summary of Monthly Railway Traffic Reports  
(Dominion Bureau of Statistics, Ottawa).

<sup>24</sup> See Summary of Monthly Railway Traffic Reports  
(Dominion Bureau of Statistics, Ottawa).



Table XX gives the net imports by rail of the three major deficiency provinces.

TABLE XX

Net Butter Imports by Rail, Quebec,  
Ontario and British Columbia,  
1932-1948

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|                   | Quebec<br>lb. | Ontario<br>lb. | British Columbia<br>lb. |
|-------------------|---------------|----------------|-------------------------|
| 1932-47           | 117,078,000   | 257,988,000    | 300,178,000             |
| Annual<br>Average | 7,317,375     | 16,124,250     | 18,761,125              |
| 1948              | 1,682,000     | 25,490,000     | 21,226,000              |

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Source: Summary of Monthly Railway Traffic Reports  
(Dominion Bureau of Statistics, Ottawa).

British Columbia is a heavy net importer of creamery butter and in supplying that demand Alberta has an obvious geographic advantage over Saskatchewan. The Saskatchewan Dairy Association points out at page 5 of its Brief:

"The point on the Prairies at which transportation costs equalize as between Eastern and Western markets approximates the Manitoba-Saskatchewan provincial boundary, indicating that from the standpoint of shipping costs all creameries located in the province of Saskatchewan may more advantageously move their surplus creamery butter to the West or Pacific Coast."

As a result of its freight advantage westward Alberta's natural market is British Columbia. From the standpoint of freight rates, as indicated in the Dairy Association Brief, Saskatchewan could also ship more advantageously to the Pacific coast than eastward but the British Columbia market is insufficient to absorb all of Saskatchewan's surplus in addition to that of Alberta. Such butter as Saskatchewan does ship to the



west (roughly one-third of her surplus) must compete with the Alberta product and move at a freight disadvantage as well. The balance of two-thirds of the Saskatchewan surplus must find its market in the deficiency provinces of eastern Canada. In these markets the Saskatchewan product competes with butter from Manitoba which Province, as a result of her geographic position, has a freight advantage on the eastern haul. In the words of the Dairy Association Brief,

"Under normal circumstances, the Dairy Industry of Manitoba has only one market for surplus production. The same is true of Alberta. This is not so of Saskatchewan where at least one-third of the cream from which butter is made must be purchased in competition with Alberta plants which enjoy on the average approximately .55 cents -- five to six-tenths of a cent -- per pound transportation cost advantage to the Pacific Coast with the remaining two-thirds being in competition with Manitoba creameries who enjoy a similar transportation advantage to the Eastern markets.

These facts clearly indicate that while the point at which transportation costs equalize on the Prairie is the Manitoba-Saskatchewan provincial boundary, the deficiency and surplus factors actually result in the division taking place more nearly in the centre of the province of Saskatchewan."

(pp. 5-6)

Thus, not only does Saskatchewan ship out of the Province a greater volume of butter and a greater proportion of the total make than do other provinces, but owing to geographical location this exportable surplus must move longer distances by rail and at higher rates





than those paid by competing provinces. Consequently the apex of the freight structure for butter movements falls within Saskatchewan, shifting back and forth across the Province as the relative levels of demand vary between the eastern provinces and British Columbia. Furthermore, when the factor of volume is also considered, it is obvious that total transportation charges, and therefore the contribution to railway revenue, for the movement of Saskatchewan butter are greater than in the case of any other province in Canada.

The heavy impact of transportation charges borne by Saskatchewan relative to other provinces cannot be measured fully, however, solely in terms of charges on the product, creamery butter, moving to centres of consumption. The Saskatchewan Dairy Association deals with this in the following paragraph at pages 15 and 16 of its Brief:

"It is possibly unnecessary to point out that in the province of Saskatchewan where industrial development is largely lacking, all items entering into dairy or creamery processing excepting labour carry single or multiple transportation costs involving either freight or express and in many instances both. In the butter industry, the dominant branch in Saskatchewan, there are three main items involved;

1. Transportation charges on the incoming raw material, namely milk and cream.
2. Transportation charges on materials used during processing and packaging (wooden boxes, salt, washing compounds, neutralizers, box liners, butter wrappers, cardboard containers, etc.) and all heavy dairy equipment.



### 3. Transportation on the outgoing finished product."

Transportation on the outgoing finished product has already been discussed. About 50 per cent of the cream, according to the Association, moves to creameries by rail. Processing and packaging materials practically all come from outside of the Province, in many cases from considerable distances. The Association summarized transportation costs in the following manner at page 17 of its Brief:

"The cumulative transportation charges presently assessed by the railways either as express or freight on a pound of Saskatchewan creamery butter involve approximately 4.97 cents a pound, originating in this manner:

|                                                                 |              |
|-----------------------------------------------------------------|--------------|
| Incoming express on raw material, cream - -                     | 1.50¢        |
| Incoming freight, etc., on essential supplies - -               | 0.195¢       |
| Carlot transportation on surplus finished product to market - - | 3.156¢       |
| Additional railway service charges - -                          | <u>0.12¢</u> |
|                                                                 | 4.971¢"      |

At present floor prices for butter the transportation factor of 4.971 cents represents 8.6 per cent of the price of a pound of creamery butter. Butter prices have already been influenced by the new competitor, margarine, and the ultimate course of creamery butter prices is impossible to predict. Should prices again decline to the 30 cent level quoted on the Toronto and Montreal markets as late as 1941, or the much lower levels of the nineteen-thirties, the impact of transportation costs would be proportionately much greater. The Saskatchewan producer is at a serious disadvantage in relation to competitors closer to consuming centres in eastern and western deficiency areas. This burden is sharply enhanced as prices for the product decline and



other costs including freight rates tend to remain rigid.

The dairy industry is an important branch of the agricultural economy of Canada. Its products represent the greatest source of protective foods necessary to the health of the nation. Consumption is largely domestic, in contrast to many other agricultural products. In fact deficiencies in production to meet domestic needs have at times occurred. The distribution of production in relation to population has brought about an extensive traffic in dairy products, in which there is complete dependence on rail for the major movement -- that between the Prairie Provinces producing in surplus, and the eastern provinces and British Columbia importing on a large scale. A measure of relief in the matter of transportation costs, which represent such a large part of the overall costs in the dairy industry of western Canada, would be in the interest of an important industry and in the national interest as a whole.

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Q: We come now to Page 40 of the printed brief. that is on the Dairy Industry and Dr. Brintnell proposes to do the same thing with this part of the brief from Page 40 to Page 44 to the Poultry Industry. That is to paraphrase this and read it into the record.

A: Your Lordship, as most of the relevant facts on the Livestock Industry were put in by the Wheat Pool, so the Co-Operative Growers or rather the Saskatchewan Dairy Association put in most of the relevant facts with respect to the Dairy Industry. I have just a page and a half which I will summarize now.

The Dairy Industry of Saskatchewan performs





important functions in the Canadian economy. In carrying out these functions special problems are encountered in which transportation is heavily involved.

The Saskatchewan milch cow population is rather scattered, the largest numbers being in the Park Belt in the northern and eastern parts of the province. Topographical considerations, rather than proximity to consuming centres can be a determining influence in the location of even the specialized dairy herds as in the case of the City of Regina, which gets its milk from a distance of approximately 40 to 50 miles. Most milch cows in the Province are however, of the dual purpose type.

About 50% of total milk production goes into the manufacture of creamery butter. Lack of concentrated milk supplies in any area tend to militate against cheese factories or condenseries such as are feasible in the Eastern Provinces.

Saskatchewan for almost a decade has been surpassed in production of creamery butter only by Ontario and Quebec. It is significant that net butter exports from Saskatchewan by rail in recent years represented some two-thirds of the annual creamery butter make of the province.

Of the total butter (that is of all butter loaded by stations in Canada) for the period 1932 to 1947, almost 31% was loaded at stations in Saskatchewan. The comparable figure for 1948 was 34%. Other main exporting provinces which are shown in Table 19 are Alberta and Manitoba. Main deficiency provinces as shown in Table 20 are Ontario, Quebec





and British Columbia.

Saskatchewan is at a greater disadvantage than both Manitoba and Alberta in butter transportation as the Saskatchewan butter which goes east must compete with that of Manitoba and the butter which goes West must compete with that of Alberta. The apex of the freight structure for butter movement falls within Saskatchewan, shifting back and forth across the province as demand varies between the Eastern Provinces and British Columbia.

The heavy impact of transportation charges born by Saskatchewan relative to other provinces cannot be measured solely in terms of charges on the product, that is, creamery butter moving to centres of consumption. Two other main charges are involved, namely, charges on the raw material cream, and on materials used in processing. Average transportation costs applicable to the marketing of a pound of butter have been estimated by the Saskatchewan Co-operative Creameries as amounting to 4.97¢ or just under 5¢. That, I might mention is before the 8% increase recently awarded.

At present floor prices these charges amount to 8.6% of the price of a pound of butter and represent a heavy burden to the industry in Saskatchewan. If prices decline, the impact will be proportionately much greater and the heavy burden borne by Saskatchewan producers in relation to competitors closer to consuming centres will be sharply enhanced.

Q: Now, that deals with the Dairy Industry and, Dr. Brintnell, you intend to adopt the same method in dealing with the Poultry Industry which is at the bottom of Page 44 of the printed brief and which continues to Page 48?

A: Yes.



## 6. The Poultry Industry

With respect to the Saskatchewan Poultry Industry it should be noted at the outset that sound policies to promote quality and facilitate efficient marketing have, in recent years, assisted poultry raising to emerge from the position it once held as an unimportant sideline chiefly aimed at supplying the farm requirements, with any surplus being sold or used as a medium of exchange at the country store. To service poultry raising there has grown up an important hatchery industry, and in the marketing of its products a substantial produce trade has developed. In 1948 the poultry population of Saskatchewan was just under 10 millions or approximately 14 per cent of the Dominion total.

The Saskatchewan Poultry Board in its Brief to the Commission appraised the advantages and disadvantages faced by the poultry industry in Saskatchewan:

"Conditions in Saskatchewan, in the light of recent advances in poultry husbandry, are very favourable for development of the poultry industry, with long hours of sunshine, abundance of comparatively inexpensive land for ranges, and cheaper feeds. Saskatchewan poultrymen, however, have laboured under many difficulties not encountered in localities more favourably situated as regards markets. Saskatchewan has no large urban consuming centres and producers have to face the fact that surplus production must be shipped long distances to outside markets involving extra care in handling, extra costs in refrigeration and extra charges in freight rates not borne by more favourably located competitors."<sup>25</sup>

Eggs and poultry are produced in this Province almost entirely by small farm flocks. There are only a



very few so-called commercial flocks and these are, in general, located close to the larger centres of population. Consequently the production of eggs takes place over a wide area and on a great many farms most of which are far removed from any large population centre.

In eastern Canada, particularly Ontario and Quebec, the industry is much larger and is confined to a much smaller area. There is little or no initial rail movement of either eggs or live poultry for the reason that most producers live very close to registered killing and grading stations and can deliver most of their produce directly. Good roads, open 12 months of the year, allow most of the assembly to be done by truck which is not the case in Saskatchewan. Most of the initial movement in this Province must be by rail for the reason that roads are impassable over several months of the year.

As compared with eastern Canada there are no large consuming centres in Saskatchewan, and such urban centres as Saskatoon and Regina are largely supplied by producers living within 25 or 30 miles of the city. This leaves a very large area of production from which eggs and poultry must be shipped long distances whereas in eastern Canada, particularly Ontario and Quebec, most producers are within a radius of a few miles from the large consuming centres.

Transportation costs are an important factor in the assembling of eggs in Saskatchewan. In the first instance eggs must be moved from various country shipping points to registered egg grading stations, of which there

<sup>25</sup> See The Saskatchewan Poultry Board Submission to the Royal Commission on Transportation (Regina, June, 1949, mimeo.) pp. 4-5.







were some 130 in the Province in 1948. This shipment is almost entirely by express but since small shipments move at a fixed minimum charge within the Province, distance is not usually a determining factor in the cost of this initial movement. Many grading stations do not, however, receive sufficient volume to make up carload lots so that eggs must be moved by L.C.L. shipment to assembly points, of which there were 42 in the Province in 1948. An assembly station may itself load only one car in the peak of the season and then revert to shipping L.C.L. to other points. For example all 42 assembly points were loading in mid-April of 1948 but by June this number had been cut in half, with a resulting increase in L.C.L. shipments.

Insofar as poultry meats are concerned the initial movement is considerably longer. In the interests of quality, producers have been encouraged to have their poultry killed in a registered killing plant and today the bulk of poultry is handled in that way. There were 25 killing plants in operation in 1948 which necessitated live birds being moved considerable distances, largely by express.

Transportation of Saskatchewan eggs and dressed poultry to eastern domestic and to export markets must be entirely by rail. The great distances also involve icing or heating charges on the product. In the East many shipments can be made to the large domestic consuming centres and even to the United States by truck because of the short haul.

Saskatchewan eggs must be sold in competition with those of Manitoba and Alberta on the eastern and export markets. This puts Saskatchewan at a geographic disadvantage over Manitoba but at an advantage over Alberta. Recently Alberta has been marketing an increasing



volume of eggs in British Columbia so that a closer market for at least some of Alberta's production is at hand.

All movements of poultry products out of the Province must undergo Dominion Government inspection and Table XXI showing inspections of dressed poultry reflects quite accurately the volume exported from the Province.

TABLE XXI

Volume of Dressed Poultry under Dominion  
Inspection in Saskatchewan,  
1946 to 1948

|         | 1946<br>lb. | 1947<br>lb. | 1948<br>lb. |
|---------|-------------|-------------|-------------|
| Chicken | 1,698,843   | 2,316,014   | 1,463,384   |
| Fowl    | 1,776,273   | 2,175,577   | 3,028,672   |
| Turkeys | 2,848,130   | 3,787,338   | 2,678,993   |
| Ducks   | 12,344      | 7,393       | 6,143       |
| Geese   | 50,284      | 30,509      | 21,108      |
| Totals  | 6,385,874   | 8,316,831   | 7,198,300   |

Source: By correspondence with Dominion Department of Agriculture, Marketing Service.

The principal markets for Saskatchewan eggs, over the years, have been the large population centres of eastern Canada, mainly Toronto and Montreal although during the early war years poultry flock owners were encouraged to increase their production of eggs and of poultry meat to supply the very large market for eggs in the United Kingdom, which had formerly been supplied by Poland, France, Denmark and the Netherlands.

All eggs moving out of the Province in more than 99 case lots must be inspected by the Dominion Poultry Marketing Service. Table XXII shows the total inspections of eggs for shipment out of the Province and, since all



eggs inspected for the Special Products Board are delivered to the British Ministry of Food, the development of the British market as an outlet for Saskatchewan.

TABLE XXII

Dominion Inspection of Eggs  
in Saskatchewan,  
1941 to 1948

| Year | Total Eggs Inspected<br>cases of 30 doz. | Inspected for<br>Delivery to Special<br>Products Board<br>cases of 30 doz. |
|------|------------------------------------------|----------------------------------------------------------------------------|
| 1941 | 293,232                                  | 68,992                                                                     |
| 1942 | 491,218                                  | 279,147                                                                    |
| 1943 | 539,485                                  | 277,134                                                                    |
| 1944 | 677,457                                  | 543,016                                                                    |
| 1945 | 661,482                                  | 473,209                                                                    |
| 1946 | 404,356                                  | 254,283                                                                    |
| 1947 | 387,850                                  | 227,606                                                                    |
| 1948 | 367,997                                  | 230,381                                                                    |

NOTE: Not all eggs move as shell eggs. In 1948 approximately 37 per cent were moved out of province as dried eggs and 12 per cent as fresh frozen eggs.

Sources: By correspondence with Dominion Department of Agriculture, Marketing Service, and Annual Report of the Poultry Commissioner, Saskatchewan Department of Agriculture.

The market for poultry meat is almost entirely the large consuming centres of eastern Canada. For a time during the war years the British Ministry of Food made substantial purchases but these were discontinued in 1947.

The American market has always exerted a considerable influence on Canadian prices but has never absorbed any appreciable quantity of Saskatchewan eggs





or poultry. Few eggs are shipped directly to the American market because egg price fluctuations in United States urban centres are marked. Any eggs that do move to that market usually go from Ontario and Quebec to eastern United States centres, with western eggs going to eastern Canada to make up the resulting deficiency.

Varying amounts of poultry meat have moved to the American market over the years. With the loss of the British market, however, and a greater volume coming forward, a greatly increased movement to the United States became apparent in 1947 and 1948. During 1948 the greatest Canadian export of poultry meats on record was made, almost entirely to the American market. This volume was largely made up of live poultry from Ontario and Quebec to eastern United States centres. A very small quantity of dressed poultry moved from the western provinces to the United States. The Saskatchewan market continued to be eastern Canada with poultry meats from this Province moving to the Toronto and Montreal markets.

The British market has been the principal market for eggs since the inception of the contracts with the British Ministry of Food in 1941. These contracts, have in effect, taken all the surplus production of Saskatchewan and the other provinces until the present time. Production was expanded to meet these contracts. The British Ministry of Food is still buying eggs in Canada, although in sharply reduced volume, and will continue to do so until the end of the present year. Future prospects in this market are not promising and it appears probable that by 1950 Saskatchewan will again have to look to eastern Canada for a market for all her surplus eggs.

Thus far, this discussion has dealt with the transportation problems involved in the marketing of the





products of the poultry industry. Transportation costs however enter into the industry at two other important points. As the Poultry Board pointed out at Regina, rail transportation charges, either express or freight, are a significant part of the cost of raising and procuring baby chicks from hatcheries. All hatchery equipment and all packaging supplies for the shipment of baby chicks from hatchery to farm must be brought into the Province by rail. In addition to these indirect transportation costs the producer must bear the express charges on chicks from hatchery to farm. Having received his chicks from the hatcheries the producer must provide himself with specialized equipment in the form of brooders, stoves, feeders and other items which are manufactured largely in eastern Canada.

Although feed grains are produced in Saskatchewan in great volume on most farms, scientific poultry raising requires specialized feeding practices if quality of product is to result. Feed grain must be supplemented by concentrated proteins and vitamins and many poultry raisers are now finding it desirable to buy feeds ready mixed. The necessity for procuring these supplements or the ready mixed feed, and sometimes even the grain itself, in small and frequent shipments accentuates the incidence of transportation costs to the poultry farmer. The Brief of the Poultry Board summarized the transportation problems of the industry in two sentences:

"The movement of eggs and poultry products and the supplies necessary to their production and handling are dependent almost entirely on the railways in this province. The transportation charges against the product and the feed and supplies necessary to its production are as high or higher than for any of the other provinces." (p. 5)



Substantial progress has been made in the poultry industry in Saskatchewan. The impetus given by wartime demand and favourable prices raised the status of the poultry industry to a new level. The loss of the important British market for poultry meat and the reduction in the contract for eggs leaves the industry in a vulnerable position with the future unpredictable. Even at best the Saskatchewan producer is at a serious competitive disadvantage compared with the eastern producer. With heavy and relatively fixed transportation costs the Saskatchewan poultrymen will certainly be among the first to feel the effect of reduced market demand and the problems and burdens which inevitably result from lower prices.

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Q: That summary is in one page?

A: Yes. In Saskatchewan under the stimulus of favourable production conditions the poultry industry has in recent years grown from sideline occupation into a substantial industry. The poultry population of some 10 million in 1948 represented approximately 14% of the Dominion total.

The poultry flocks in Saskatchewan are small and scattered throughout the Province. This is in direct contrast to the situation in Ontario and Quebec where the industry is small and confined to a smaller area adjacent to very large consuming centres. In Ontario and Quebec better weather and road conditions are conducive to marketing by truck, but in Saskatchewan the initial assembly movement is mainly a rail movement, and a very large portion of Saskatchewan eggs and poultry meat must move the long distance to Eastern



markets.

Assembly of eggs in Saskatchewan is carried out under a number of transportation difficulties. Shipment of eggs from country points to egg grading stations usually involves an express movement with a minimum charge, and further assembly may require an L.C.L. movement. Eggs and poultry leaving the Province (See Table 21 and 22) must then move by rail to Eastern markets and compete there with Manitoba eggs and with that part of the Alberta exports which move East. Markets are now mainly domestic since the British market, which we were encouraged to supply in wartime, is no longer promising. American markets have never absorbed any appreciable quantity of Saskatchewan eggs or poultry and shipments have been sporadic.

Transportation problems in the poultry industry are not confined to shipments of final products, but involve movement of hatchery equipment, specialized poultry feeds and baby chicks.

The poultry industry in Canada and in Saskatchewan faces a difficult situation in the years immediately ahead. With heavy and relatively fixed transportation costs, the Saskatchewan poultrymen will certainly be among the first to feel the effects of reduced market demand and the problems and burdens which inevitably result from lower prices.





## 7. Other Agricultural Products

### The Forage Crop Seed Industry:

Although production of forage crop seeds is not a major industry in terms of the total agricultural income of the Province, the growing of alfalfa, clovers of various kinds, brome grass, crested wheat grass, timothy, western rye grass, etc., for seed has achieved an important place in the economic life of northern Saskatchewan. The industry is comparatively new but has shown rapid expansion and represents a successful effort to adapt agricultural production to soil and climatic conditions.

The relative position of each of the Prairie Provinces in the production of forage crop seed over the last decade is shown in Table XXIV, reproduced from the Joint Presentation of the Seed Growers Associations.<sup>26</sup>

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<sup>26</sup> See Joint Presentation of Alberta Crop Improvement Association, Alberta Seed Growers Co-operative Limited, Alberta Branch Canadian Seed Growers Association, Saskatchewan Seed Grain Co-operative Limited, Saskatchewan Forage Crop Growers Co-operative Marketing Assn., Saskatchewan Branch Canadian Seed Growers Assn., Manitoba Crop Improvement Association, Manitoba Branch Canadian Seed Growers Association to the Royal Commission on Transportation (Winnipeg, June, 1949, mimeo.).



The importance of the export market to forage crop seed producers is indicated by a comparison of exports shown in Table XXIII with western production figures.

-- (See Table XXIII - "Exports of Principal Forage Crop Seeds from Canada for Crops 1937 to 1947, and Exports from the 1948 Crop to the end of February, 1949", as in Exhibit 128).

Most forage crop producers in Saskatchewan operate small acreages on northern bush soils for the most part unsuited to the growing of staple crops such as wheat. Such producers consequently depend on these seed crops for the greater part -- and in many cases all -- of their income. While individual acreages are small, resulting in low per capita income, transportation charges on the product are high, and have recently undergone a major increase as a result of the lapsing of the special seed tariff. Actually freight costs represent by far the largest item involved in the processing, handling and marketing of these specialized crops.

Saskatchewan and Alberta are now recognized as the chief producers of forage crop seeds and both Provinces labour under the disability of long rail hauls to their markets. Seed producers are contributing not only towards the economic development of the north but with their products make possible effective soil conservation and soil improvement programmes on grain growing land elsewhere in Canada and the United States and even in parts of Europe where forage crop seeds from Saskatchewan are used.

---(See Table XXIV - "Production of Principal Forage Crop Seeds in Manitoba, Saskatchewan and Alberta, 1937 to 1948", as in Exhibit 128 )



Opportunities for the growing of specialized crops in the northern part of the Province have contributed to the growth of population in that area. While the movement of specialized crops bears a heavy freight rate, a more significant factor from the standpoint of the railways, is that this type of production supports a permanent population of greater density thus promoting a larger volume of traffic of both producer and consumer goods.

The Honey Industry:

Honey production, like the growing of forage crop seeds, is not a major industry in Saskatchewan, but several hundred beekeepers, operating up to 1,000 colonies each, derive their whole livelihood and more than 11,000 other farmers secure a portion of their income from the industry.

As pointed out in the Submission of the Saskatchewan Honey Producers Co-operative Marketing Association, Ltd., bees have a two-fold value. In addition to their obvious use as producers of honey and wax they also act as pollinators and are thus of important economic value particularly to the alfalfa and clover seed industries. The Association pointed out:

"The value of bees as pollinators is generally considered to exceed their value as honey producers. An abundance of bees is necessary to ensure a full set of seed on clovers, rape and alfalfa. The role of bees in pollinating is likely to become even more important in the future as legume growing becomes more common and as the wild bee population is further depleted by land clearing operations."<sup>27</sup>

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<sup>27</sup> See Submission of the Saskatchewan Honey Producers Co-operative Marketing Association Limited to the Royal Commission on Transportation (Regina, June, 1949, mimeo.) p.1.





Honey production is subject to wide seasonal variations, being extremely sensitive to weather and crop conditions in the clover and alfalfa districts. For example, in the disastrous crop year, 1937, Saskatchewan produced only 1,142,000 pounds of honey, while in the following year, with about the same number of colonies, production more than doubled, amounting to 2,794,000 pounds. The peak year in production came in 1945 with 7,328,000 pounds.

---(See Table XXV - "Honey Production Canada and Saskatchewan, Prices and Value of Saskatchewan Honey Crop and Number of Beekeepers, 1926-1948" as in Exhibit 128).

Table XXV shows the production of honey in Saskatchewan and Canada and the price and value of the Saskatchewan honey crop together with a record of the number of beekeepers.

Variations in production, however, have not provided the only problem with which the industry must contend. Prices tend to go in cycles. For a long period prior to 1943 honey prices were low, never going above 12 cents and falling as low as 8 cents per pound. The problems of producers were further aggravated by the fact that low prices and low production frequently coincided.

The relatively favourable showing of the honey producing industry in the past few years was, in large measure, the result of the world shortage of sugar. How much of the improvement can be maintained under normal conditions is problematical.

Geography imposes a serious handicap on Saskatchewan beekeeping. The honey producing areas are remote from sources of supplies and from the larger centres of consumption which constitute the principal markets. The relative burden of transportation costs on the honey





industry was set forth in a very comprehensive manner by the honey producers. A sharp drop in honey prices would add seriously to this burden.



Q: Now, Dr. Brintnell, on Page 48 of the printed brief from Page 5 7, which deals with "other agricultural products", and from Page 48 to 52 I believe you summarize it in the same way?

A: Yes. Among the other agricultural activities in the Province, attention should be called to the forage crop seed and honey industries.

The relatively new forage crops, including aflalfa, cloves, brome, crested wheat grass, timothy and western rye grass, are grown on northern bush soils unsuited to wheat. Forage crop seeds bear a high transportation charge over the long haul to their destination in various parts of Canada, the United States or parts of Europe, and recently a major increase has occurred in transportation charges as a result of the lapsing of the special seed tariff.

The important relative position of Saskatchewan among the Prairie Provinces is shown in TABLE 24. Saskatchewan seed producers are contributing to the economic development of northern Saskatchewan. This type of production supports a permanent population of greater density, thus promoting a relatively large traffic volume.

The honey industry, which in some respects is complementary to the forage crop industry, suffers from the remoteness of the producers from sources of supplies as well as markets, and heavy transportation charges accentuate the difficulties under which this industry labours, especially with the current declining prices of honey.

Q: Now, if you would turn to Page 64 of your mimeograph or Page 51 of the printed brief, my Lord, you have there a table showing the honey



production in Canada and Saskatchewan with prices and values of the Saskatchewan honey crop and the number of bee keepers, 8,340. In the prices you show as received by the Saskatchewan producer, the last price is the year 1947. Now, can you give us the price obtained in 1948 and 1949 to make the column complete?

A: Well, no official Dominion Bureau of Statistics prices are available as yet and we have tried to confine ourselves to this source, but as near as I can establish by enquiry the 1948 average wholesale price of honey was rather less than 20¢ and the 1949 price will be very considerably less than 20¢. These are wholesale prices, of course. I think this salient point that it will be much less than 20¢ this year is obvious from the fact that a four pound pail of No. 1, that is the top grade of white Saskatchewan honey has been retailing in Saskatoon for some months at 65¢ which is a retail price of approximately 16¢ when it is put in pails. It probably means a wholesale price of about 12¢, which is a depressed price for this particular product.

Q: So that in this product you find the situation of price where the price is back to the depression level?

A: Yes.

Q: Now, Dr. Brintnell, you finished up with the agricultural and we come to the non-agricultural economy. Now do you wish to paraphrase that?

A: I would like to read in full the introduction and then paraphrase the remaining part of this section beginning with "manufacturing and processing" on Page 52 of the printed brief:

The average contribution of Saskatchewan to the





total gross value of manufacturing production of the Dominion over the past 20 years has been rather less than 2 per cent.

Q. Then you have Table XXVI?

A. Yes, that is illustrative and I don't think there is much that needs to be added to that; it is a relatively consistent Table.

Q. And you regard XXVI as establishing the measure in which manufacturing is really out of the picture in Saskatchewan?

A. Yes.

(TABLE XXVI - "GROSS VALUE OF MANUFACTURING PRODUCTION, CANADA AND SASKATCHEWAN, 1925-1947"- ON PAGE 52 OF EXHIBIT 128")

MR. CARSON: You have not the 1948 figure?

A. No, the 1948 Dominion Bureau of Statistics figures are not available as of a few days ago.

Table XXVII, showing the geographical distribution of manufacturing by Provinces in Canada in 1947, (the latest year for which this information is available shows that the value of production, net and gross, in Saskatchewan is the smallest in the Dominion except for Prince Edward Island. The gross value of manufactured goods in Saskatchewan was \$196 millions or 1.9 per cent of the Dominion total compared with \$296 millions, or 2.9 per cent for Alberta, and \$383 millions, or approximately 3.8 per cent of the national total for Manitoba.

In other words, Manitoba is twice the manufacturing Province that Saskatchewan is.

(SEE TABLE XXVII - " GEOGRAPHICAL DISTRIBUTION OF THE MANUFACTURING INDUSTRIES OF CANADA, 1947" AT PAGE 53 OF EXHIBIT 128)



Table XXVII gives the principal statistics including the gross values of production, of the leading industries of the manufacturing groups in Saskatchewan for 1947. It will be noted that the three most important industries - accounting for well over one half of the total gross value of all manufactures - are concerned with the processing of primary agricultural products. Transportation naturally bulks large in the movement of these products to eastern domestic or to export markets. The next largest industry, refining of petroleum products, is closely related to a mechanized prairie agriculture creating heavy demands for petroleum products of all kinds. The remaining industries merely represent the processing or manufacturing of natural products on a necessarily small scale (as in the case of saw-mills) or servicing enterprises (such as bakeries and printing and publishing enterprises) to supply in whole or in part strictly local requirements. The only significant "manufactured" items moving out of Saskatchewan are processed agricultural products and it is clear that Saskatchewan did not share, in any measurable degree, in the wartime expansion in heavy industry.

I might just mention, my Lord, with respect to Table XXVIII that the first four items, three of which are concerned with the processing of agricultural commodities and No. 4 petroleum products make the bulk of the total. The arrangement in progressing order is rather deceptive unless one looks at the gross volume of production, because the first three overshadow so completely the rest of the Table.

The past two or three years have witnessed several attempts to broaden the base of industry in the



Province. This has been reflected in the establishment of a woollen factory, a natural sodium products plant, a plant for processing vegetable oils, a chemurgy plant and a number of local industrial concerns.

(SEE TABLE XXVIII - "Manufacturing Industries of the Province of Saskatchewan, 1947" - at Page 54 of Exhibit 128)

An important addition to the Saskatchewan slaughtering and meat packing industry has been made by the Canadian Co-operative Processors Limited (formerly the Horse Co-operative Marketing Association) at Swift Current which obtained a contract to supply processed meat to the Belgian Government in 1945. Since then, large contracts have been filed for U.N.R.R.A. This project has been of economic value to Canada as a whole; it has been an instrument in assisting European rehabilitation; and it has facilitated the disposal of surplus horses and the establishment of a sound land use policy in south-western Saskatchewan. The increase of 21 per cent in freight rates was a serious blow to the operations of this industry, coinciding as it did with difficulties in finding markets for its products. Inward transportation costs of the plant are increasing as the source of supply recedes farther from Swift Current and as the Co-operative faces the competition - both for horses and for markets - of a number of similar plants in the United States. The special problems of freight rates were dealt with in detail in the brief which this co-operative organization presented at Regina. (See Memorandum of Canadian Co-operative Processors Limited to Royal Commission on Transportation (Swift Current, June, 1949, mimeo.)).

THE CHAIRMAN: You talk here of contracts?

A1. Yes, made with U.N.R.R.A.

Q1. And the Russian Government?





A. No, with U.N.N.R.A. sir.

MR. MACPHERSON: Not with Russia.

THE CHAIRMAN: How did the 21 per cent increase affect those contracts?

A. Well, by that time, if my memory serves me correctly, all of those contracts have been filled.

Q. They were over?

A. They were over by then and we were reduced to a completely competitive position in finding markets in Europe for the product.

Q. Well then, those contracts you have referred to have now expired?

A. They have been filled, yes. Actually the plant has found it rather difficult to continue because of that and because, as I have mentioned, the necessity of bringing horses in for a further distance at the higher rates.

Closely allied to manufacturing and indeed one of the major factors in determining the location of industry in the availability of cheap power. Table XXIX based on the latest available CANADA YEAR BOOK which contains the latest available material, illustrates this.

(See Table XXIX - "Electric Energy Generated by Type of Station and by Provinces, 1946" - At Page 55 Exhibit 128)

Industrial and domestic consumers of electric power in Saskatchewan are in a uniquely vulnerable position with respect to freight rates, since Saskatchewan is the only province which is forced to depend entirely on coal plants for the generation of electric power (See Table XXIX), Every other province is able to produce electricity through water power while in certain parts of Canada, such as southern Alberta, natural gas provides a relatively inex-





pensive substitute for electricity for heating and lighting purposes. Generation of electricity from coal is normally a more expensive process than the utilization of water power but in Saskatchewan sources of water power are scattered and remote. Transmission of electric power for country use in the Province presents formidable difficulties on account of the great distances between producing plants and the small number of available customers per pole-mile of line.

Since the source of Saskatchewan electricity is coal, the cost of transportation of coal from mines near the United States border in the south of the Province or from Alberta to the various plants is of prime importance in the cost of generating electricity. (See also Submission by Saskatchewan Homemakers' Clubs to the Royal Commission on Transportation (Regina, June, 1949 mimeo.).)

Now, I should like to summarize the next few pages.

MR. MACPHERSON: On page 59, I think, of the printed brief?

A. Yes, on mining and petroleum, forestry and fishing. Other Saskatchewan industries whose present and future development is intimately related to transportation problems include mining, petroleum, production, forestry and fishing. These industries are all located mainly in parts of the province which are difficult of access and all have similar problems of long haul transportation in securing supplies and in marketing finished products.

Apart from metallic minerals, Saskatchewan has significant potentialities in such non-metallic minerals as sodium sulphate and coal. Information was made available to the Commission at the Regina Hearings dealing with the disrupted competitive condition in the coal industry



following the horizontal increases in freight rates on coal. These increases bore particularly heavily on the Saskatchewan product because of its lower B.T.U. value.

In the Lloydminster area on the Alberta-Saskatchewan boundary, Saskatchewan produces heavy crude oil, best suited for fuel oil and asphalt. By far the most important use to which such oil could be put would be as fuel for industrial purposes or on boats, but at present the industrial market is not available and producers are unable to compete in the Vancouver Market with producers from <sup>California</sup> and Venezuela due to the high cost of transportation.

Saskatchewan has important timber resources in the north and the movement of forest products into and within Saskatchewan is heavy compared with many parts of Canada since the south of the Province is completely devoid of forest cover. Pulpwood shipped out must go relatively long distances to market.

Fishing is carried on mainly in the semi-barren northland and markets in recent years have been as far distant as Chicago, Detroit and New York. Transportation requires refrigeration and freight charges are onerous in an industry which is extremely sensitive to market and cost fluctuations.

Q. Now, Dr. Brintnell, that brings up to page 59 about the middle of the page the printed statement item No. 9 "conclusion"?

A. Yes. The essential features and the basic problem of the Saskatchewan economy have been admirably summarized in the Brief presented by the Saskatchewan Wheat Pool at the Regina Hearings of the Commission:

"Saskatchewan is an area of normally low rainfall which makes farming extremely hazardous in an economic sense.

It is an area of great fluctuation in crop outturn.

It is an area which must depend to a large degree on



export markets, - markets which have always been of a variable and capricious nature..

Farm prices in this province, influenced by the uncertainties of crop production in a semi-arid region and by the unpredictability of competitive foreign crops and overseas markets, have fluctuated widely and violently, while items of cost such as freight charges have remained fairly rigid. As a result of this uncertainty of both production and of price, farming and living in rural Saskatchewan have often been neither easy nor remunerative. Indeed large areas of the province have, for extended periods, been forced to live by government relief and out of capital depletion. These factors, of uncertain yield and uncertain prices, must always be remembered when considering items of inflexible costs such as freight charges." And then, continuing on page 31 from the same Saskatchewan Pool Brief.

"The chief problem of the Saskatchewan farmer through the years has been the difficult, and sometimes impossible, task of balancing fixed costs against fluctuating income. He experienced years at a time when the market value of his products was less than the cost of production. During that period fixed costs remained high and their pressure finally crushed the structure on which his economy was based, and plunged him into a sea of debt from which he is only now recovering. One of these fixed costs was freight charges. Past experience in this province has proven that fixed charges which may appear reasonable when price levels are high become





excessive and are a great burden on the economy when price levels fall. . . . We submit that on the long-term basis, - the only fair basis upon which judgment can be given, - The farmer in Saskatchewan is unable to carry any further burden of these costs."

That is the end of the quotation from the Wheat Pool Brief. The contribution of the prairie wheat economy, in spite of severe handicaps, has been vital to Canadian development. Recognition of this contribution has been implicit in Acts of the Federal Parliament aimed at the correction of mistakes in settlement policy, the assurance - - . And I would like to correct the next two words "of the continued productivity of prairie wheat lands," the maintenance of the social fabric of the farm economy, and the constant vigilance of Canadian Governments to maintain the steady flow of Saskatchewan wheat to the markets of the world.

Yet indications are not lacking that the period of relative prosperity which the Saskatchewan economy has recently enjoyed - and which permitted substantial retirement of farm debt and replacement of worn-out machinery - may be drawing to a close. The favourable relationship of prices and costs which characterized the middle nineteen-forties has not been maintained during the past year and a half. Farm costs have continued to mount while the upward trend in farm prices has been arrested if not turned downward. Thus while the index of western farm costs rose 20.3 points between January, 1948, and August, 1949, the index of Saskatchewan farm prices rose only 8.3 points over the same period.

I might add there, my Lord, that we received this morning the latest bulletin from the Bureau of Statistics for September and it records a further fall of 1.9 or



practically 2 points in the index of Saskatchewan farm prices, so that the comparable figures should really be 21.2 points upwards on the cost and as of September only 2.3 points up in farm prices. Finally farm income may be expected to reflect this trend as problems of supply give way to the more familiar problem of finding adequate and remunerative markets for most farm products.

All this serves to emphasize the fallacy - and the dangers - inherent in any theory of rate-making which might suggest that a freight rate structure, traditionally, historically and perhaps necessarily inelastic in its nature, should be established on the basis of relatively favourable conditions temporarily obtaining in a highly variable agricultural economy. No concept could be more deceptive, or, if applied, more disastrous to the prairie economy and more disillusioning to the transportation systems of this country.

COMMISSIONER INNIS: You mention the "consistent vigilance of Canadian Governments". Is that right?

A. Perhaps, it should be only relative.

Q. Do you mean plural or singular?

A. Well, I was thinking regardless of their political stripe.

Q. You don't mean just the Liberals?

A. No.

MR. O'DONNELL: That is the Federal Government?

A. Oh yes.

MR. MACPHERSON: That brings you, Dr. Brintnell to the end of Part 9?

COMMISSIONER ANGUS: I got the impression at the Regional Hearings that while the farmers complained of fixed transportation costs, they liked the idea of variable transportation costs even less. Would you agree that they



disliked inelastic freight rates but that they very much disliked freight rates that varied with agricultural prices;

A. Well, I am sure we would but not every branch and I will put it this way, sir, that we have an open mind on every other product but wheat or grain. On the other products we would be ready to examine the thing on this balance. We doubt the possibility of adjusting rail revenues and subjecting them to the vicissitudes of wheat production. We do not know how the railways could remain solvent in such conditions. We rather mistrust the technique that might be applied in such cases.

Q. The products that I remember, the hogs, butter, and so on, my impression certainly was that the people in the industries wanted fixed low rates - not variable rates?

A. Yes, that would be preferable - fixed rated would be preferable.

THE CHAIRMAN: Do you think such a scheme is feasible at all?

A. I doubt very much, sir, the practicability of such a scheme. I can, however, see no objection myself to such an arrangement for farm products other than grain as long as the total burden is not increased and assuming <sup>it is</sup> that/possible to who work out a fair basis and still keep the railways solvent. I just can't believe, having listened to the railway in the 30 per cent Case, I can't believe it is possible to keep the railways solvent on this sort of basis where livestock prices go down to 3 cents a pound. That would mean keeping rail freight rates at 75 per cent at least.



COM. MEMBER LANCUS: We are not discussing practicability but I suppose variable rates do not necessarily mean they vary strictly in relation to trend. It might vary between the floor and the ceiling?

A. I see no objection to it, if the practicability could be ensured. I might add there, that the prairie farmer, for instance, in connection with livestock prices which may be relatively higher at the present time, struggled through 12 years of very depressed prices, a further 5 year period in which prices were held down by national policy and on the basis of the last two years of low prices against two of high, would suggest that this was a rather poor time to begin. He would rather wait until livestock prices started to go down before applying any formula.

---At 4.45 p.m. the Commission adjourned to meet again at 10:30 a.m., Thursday, November 24, 1949.

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Insert before line 8 on page 9853:

The agricultural growth of the province over the same period as reflected in the number and area of farms and acreage under field crops is set out in table II.

Insert after line 13, on page 9862:

(Table IV: Area, field and production of wheat in Saskatchewan and in the three prairie provinces, 1900-49.)













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